LOTO QUÉBEC

CONCENTRATING AND CONTROLLING GAME OFFERINGS

2008 ANNUAL REPORT

LOTO-QUÉBEC'S MISSION

Loto-Québec's primary mission is to assure the systematic and effective operation of games of chance in the province. Created in 1969 to implement a public lottery, the Corporation has diversified its activities over the years in order to carry out new mandates entrusted to it by the Government. • In addition to a public lottery, through its subsidiaries, Loto-Québec operates three casinos, related restaurant and hotel services, a video lottery network, including two gaming halls known as Ludoplex, along with network bingo activities. In addition, the Corporation exports multimedia products to international markets and holds a financial interest in JOA Groupe, the third largest casino operator in France. • Loto-Québec returns the fruits of its commercial activities to the Government and to all of Québec society. In recognition of its social responsibilities, the Corporation is committed to combating excessive gaming and to promoting healthy gaming behaviour. Moreover, it manifests its social commitment through the sponsorship of numerous events that bring people together throughout the province.

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KEY FIGURES

As at March 31 *(in thousands of dollars)*	2008	2007	$ Variation	% Variation
Total Revenues	**3,850,177**	3,798,832	51,345	1.4
Lotteries	**1,910,120**	1,842,432	67,688	3.7
Casinos	**790,446**	758,224	32,222	4.2
Restaurants	**87,067**	87,786	(719)	(0.8)
Lodging	**17,104**	16,214	890	5.5
Video Lotteries	**1,048,486**	1,097,917	(49,431)	(4.5)
Bingo	**41,068**	39,370	1,698	4.3
Multimedia	**626**	1,062	(436)	(41.1)
International	**1,467**	1,739	(272)	(15.6)
Inter-Company Transactions	**(46,207)**	(45,912)	(295)	(0.6)
Prizes awarded – Lotteries	**1,031,365**	964,941	66,424	6.9
Prizes awarded – Bingo	**19,187**	18,010	1,177	6.5
Gross margin	**2,347,975**	2,364,144	(16,169)	(0.7)
Net earnings	**1,436,163**	1,468,065	(31,902)	(2.2)
Dividends	**1,361,000**	1,391,000	(30,000)	(2.2)
Other amounts contributed to the Québec and Canadian Governments	**238,337**	241,409	(3,072)	(1.3)
Total assets	**1,104,499**	1,077,615	26,884	2.5
Shareholder's equity	**134,471**	135,252	(781)	(0.6)

TOTAL REVENUES

(in millions of dollars)	2004	2005	2006	2007	2008
	3,760.7	3,937.5	4,016.0	3,798.8	**3,850.2**

NET EARNINGS

(in millions of dollars)	2004	2005	2006	2007	2008
	1,465.3	1,583.1	1,613.9	1,468.1	**1,436.2**

OUR CONTRIBUTIONS

ECONOMIC

Dividends to the Québec Government	$ 1,361 billion
Prizes awarded to lottery and bingo winners	$ 1,051 billion
Commissions and other compensations to lottery, video lottery and bingo network partners	$377.4 million
Purchases from companies conducting business in Québec	$417.2 million
Salaries and employee benefits	$376.0 million
Taxes to governments	$147.4 million
Special contributions to governments	$ 90.9 million

SOCIAL

Contribution to the fight against excessive gaming	$ 25.0 million
Contribution to the Ministère de la Santé et des Services sociaux in aid of the elderly who have lost their autonomy	$ 30.0 million
Contribution to the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation for agricultural fairs	$ 4.0 million
Contribution to non-profit organizations	$ 21.0 million
Fonds d'aide à l'action communautaire autonome	
Assistance for independent community action	$ 13.4 million
Assistance for international humanitarian action	$ 2.7 million
Sponsorships	$ 14.6 million
Collection Loto-Québec	$ 0.3 million

"JUST AS THERE IS A SOLID CONSENSUS IN THE PROVINCE REGARDING THE RETURN OF GAMING PROFITS TO QUÉBEC SOCIETY, THE NEED TO EXERCISE CONTROL OVER GAME OFFERINGS, BOTH QUALITATIVELY AND QUANTITATIVELY, IS ALSO CLEARLY RECOGNIZED. THIS CONCILIATION IS A COMPLEX EXERCISE THAT DEMANDS CONSTANT ATTENTION."

Solange Dugas
Chairwoman of the Board

MESSAGE FROM THE CHAIRWOMAN OF THE BOARD

Fiscal 2007-2008 was a year of significant importance for Loto-Québec's Board of Directors. It was marked by the adoption of a new, more modern and demanding model of governance that considerably extended the responsibilities of Board members.

Established in accordance with the Act Respecting the Governance of State-Owned Enterprises sanctioned on December 14, 2006, this model is based on numerous new stipulations. Subsequent to the reform coming into effect, in June 2007, I agreed to assume my new responsibilities as Chairwoman of the Board.

The introduction of these changes has given rise to a period of adjustment. As such, a significant part of the work of the Board and its committees in 2007-2008 was devoted to the establishment of new rules. For example, the Board determined a set of criteria for evaluating how it, its committees and its Chairperson function. The Board also adopted a new Code of Ethics and Rules of Professional Conduct applicable to Directors and managers, as well as to the employees of Loto-Québec and its subsidiaries. In addition, it introduced an orientation program and continuous training initiatives for its members.

During the course of the year just ended, three new members joined our ranks. With these nominations, the nine-member Board already respects the gender equality objectives set by the Québec Government for the year 2011.

A CONSTANT PREOCCUPATION

In carrying out its responsibilities during the past fiscal year, the Board of Directors focused particular attention on the implementation of strategic corporate orientations that recognize the need to balance the commercial dimension of Loto-Québec's activities with social responsibility.

Just as there is a solid consensus in the province regarding the return of gaming profits to Québec society, the need to exercise control over game offerings, both qualitatively and quantitatively, is also clearly recognized. This conciliation is a complex exercise that demands constant attention.

As well, Loto-Québec must offer a healthy and attractive range of games that meet the expectations of the population, while managing the risks associated with gaming as effectively as possible.

In that regard, the Board is firmly committed to establishing a clear and strong link between the profits generated by the Corporation and the benefits for society at large.

FINANCIAL RESULTS AND INTERNAL CONTROL

The Board is closely monitoring the evolution of the Corporation's operating expenses and capital spending, striving to ensure that these reflect good practices from a business, efficiency and effectiveness standpoint, and that they are aligned with Loto-Québec's commercial mandate and the sector in which it operates. In so doing, the Board is equally dedicated to ensuring that the Corporation contributes as much as possible to the financing of public services through the dividend it remits annually to the Government, while, at the same time, maintaining or improving the quality of its game offerings.

Moreover, the Board worked actively during the year just ended in the area of risk management, and these endeavours will intensify over the course of fiscal 2008-2009. For example, significant effort was devoted to implementing specific measures to ensure the integrity of prize payment processes at points of sale based on recommendations from management and the KPMG consulting firm.

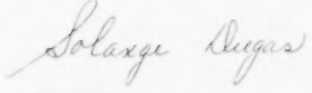
RECRUITMENT AND RETENTION OF STRATEGIC PERSONNEL

One of the responsibilities assigned in part to the Board of Directors relates to human resources policies, particularly with respect to remuneration. During fiscal 2007-2008, the Board examined the salary policy for senior-level positions and made certain adjustments so as to ensure that the Corporation's business risks are adequately managed. In so doing, the Board took both recruitment markets and Loto-Québec's particular situation within its activity sector carefully into account.

ACKNOWLEDGEMENTS

At the end of the first fiscal year under the authority of the new Act Respecting the Governance of State-Owned Enterprises, I would like to take this opportunity to thank my Director colleagues for their consistent availability and their hard work on the Board and its various committees. I would also like to signal the departure of Mr. Robert Crevier, who has left the Board after 16 years of loyal service and who I wish to thank sincerely for his contribution over all these years.

On behalf of the Board, I also wish to express my gratitude to Loto-Québec's President and Chief Executive Officer, Mr. Alain Cousineau, as well as to the entire management team for their excellent work in conducting the Corporation's business. Finally, I thank all the employees of Loto-Québec and its subsidiaries for their dedicated efforts throughout the course of the past year.



Solange Dugas
Chairwoman of the Board

MESSAGE FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

Fiscal 2007-2008 saw the concretization of numerous projects, the most noteworthy of these being the ones that raised the greatest media attention as well. They include the implementation of the KPMG report's recommendations regarding the payment of lottery prizes, the addition of Texas Hold'em poker to our game offerings, and the opening of our two gaming halls. The realization of these projects reflects the three major preoccupations that have served to guide our actions — concentrating game offerings within controlled environments, controlling gaming practices, and reinforcing the security of our operations.

HIGHLY SATISFYING RESULTS

From a commercial and financial standpoint, the results achieved by the Corporation during the past fiscal year were extremely satisfying, particularly with respect to revenues. In fact, at a little over $3.8 billion, our total earnings were up by $51.3 million (1.4%) over the previous reporting period. We succeeded in posting this positive performance despite the anticipated decline in the Video Lottery sector's revenues, which were down by $49.4 million (-4.5%) as compared to fiscal 2006-2007.

Another favourable highlight of the past year was the fact that our two other key sectors — Lotteries and Casinos — posted record earnings of $1.91 billion and $790.4 million respectively during the year just ended. When compared to the previous fiscal year, these results represent an increase of 3.7% for Lotteries and 4.2% for Casinos.

However, although we saw our revenues grow, our net income declined in the order of $31.9 million (-2.2%) vis-à-vis fiscal 2006-2007. A number of factors account for this drop, the most significant being the $42.6 million decrease in net earnings within the Video Lottery sector.

RECONFIGURATION OF THE VIDEO LOTTERY NETWORK

One of the major objectives of our 2004-2007 Development Plan was to reduce accessibility to video lotteries by diminishing the offerings within this sector and by concentrating video lottery terminals (VLTs) at controlled sites. While the VLT network initially consisted of 3,663 sites, it was comprised of only 2,733 sites as at March 31, 2008. This decrease of over 900 sites brings us very close to our overall objective since, to date, we have effected more than 80% of the 1,142 site closures envisaged.

Of course, this rationalization initiative has had a considerable impact on the earnings generated by the Video Lottery sector. Indeed, upon analyzing the $49.4 million drop in revenues recorded during fiscal 2007-2008, we have determined that 47% of the decline is due to the diminished number of sites and VLTs over the course of the year. The other contributing factor, to the order of 53%, is the series of new stipulations of the anti-smoking legislation that came into effect on May 31, 2006. It should be noted that the months of April and May 2006, which were not affected by the legislation, are part of the comparison fiscal period.

TWO NEW GAMING HALLS

The opening of the two Ludoplex is a good illustration of the theme of our current Annual Report — Concentrating and Controlling Game Offerings. Equipped with a portion of the VLTs removed from bars located in districts and zones considered to be economically fragile, our two gaming halls have been designed to offer the most controlled and secure environment possible. Featuring a convivial and relaxed atmosphere, these establishments offer a combination of enjoyable game offerings and lively animation that help promote responsible gaming behaviour.

"...THREE MAJOR PREOCCUPATIONS HAVE SERVED TO GUIDE OUR ACTIONS — CONCENTRATING GAME OFFERINGS WITHIN CONTROLLED ENVIRONMENTS, CONTROLLING GAMING PRACTICES, AND REINFORCING THE SECURITY OF OUR OPERATIONS."

Alain Cousineau
President and Chief Executive Officer

Having just lately opened their doors, it has become common knowledge that attendance at the gaming halls during their first few months of operation has not reached the levels anticipated. This means that, while highly innovative, their entertainment concept must evolve somewhat in order to better respond to the needs and expectations of their clientele. The recent introduction of electronic Texas Hold'em poker constitutes a first adjustment to our initial business model in this regard.

On a related front, the Mont-Tremblant resort's Versant Soleil will soon be the site of a new casino in place of the originally planned Ludoplex. This initiative has received a warm welcome... and for good reason. With its full range of games adapted to the tourist clientele drawn by the Mont-Tremblant resort, this new casino will contribute to diversifying the region's tourism offerings and will attract a new clientele to the Laurentians. In addition, the establishment will significantly increase the duration of stays in the region for the benefit of the local economy, which will also see the creation of 175 jobs. The Casino de Mont-Tremblant is slated to open its doors in the summer of 2009.

INTRODUCTION OF TEXAS HOLD'EM POKER

The introduction of Texas Hold'em poker at our establishments is also aligned with our commitment to concentrating and controlling game offerings. Indeed, it was not normal for the playing of this game to extend into every sphere of our society without it being available in our establishments as well.

As such, Loto-Québec's three casinos and two gaming halls now offer poker enthusiasts the electronic version of Texas Hold'em, with our installations meeting the industry's highest standards of comfort, efficiency and integrity. Thanks to this diversification of our game offerings, we are able to satisfy an ever-increasing demand on the part of our clientele, as demonstrated by the game's enthusiastic welcome by the community of poker players.

RESTRICTING MEDIA REPORTING ON WINNERS

In view of an unfortunate incident that compromised the security of a couple who had won a $27 million lottery prize, Loto-Québec went through a period of extensive reflection regarding the reception and media coverage of major prize winners. While opting to maintain public disclosure of winners' identities, we have implemented various control measures to limit media impact, most notably by waiting two weeks before publishing the names of all winners of $50,000 or more.

THE KPMG REPORT ON THE PAYMENT OF LOTTERY PRIZES

Loto-Québec is committed to remaining extremely vigilant about all that concerns the integrity of its operations. That is why we favourably received the report submitted by the KPMG consulting services firm this past fall subsequent to their exhaustive examination of our prize payment processes and procedures.

The Corporation is dedicated to following up on the KPMG report's 35 recommendations as rapidly as possible. As outlined in the section of this Annual Report devoted to Lotteries, several of the measures proposed have already been applied, and others are in the process of being put into place. We anticipate that all the recommendations contained in the report will be implemented by April 2009.

The disclosure of the KPMG report in its entirety as soon as it was submitted to us in October, as well as our commitment to following up on its recommendations without delay, are reflections of the fact that Loto-Québec will spare no effort to maintain the public confidence it has enjoyed since its creation.

PLANNING AND MOBILIZATION

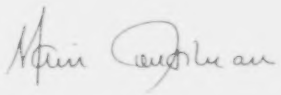
From an internal management perspective, the updating of our triennial strategic plan is among the key realizations of the past fiscal year. This planning exercise once again enabled each corporate unit to clearly identify its mission, make important observations, define the challenges being faced, determine appropriate strategies to meet those challenges, set specific objectives, and prepare an annual action plan.

The 2007-2010 strategic planning initiative provided us with an opportunity to focus on the crucial question of preparing the new wave of personnel. Among other things, this process led to the implementation of a program to identify and develop new personnel for management positions.

The year just ended was also marked by extensive consultations with our employees, who had the opportunity to express themselves freely about how the organization functions and the management practices within their respective activity sectors. Overall, this process generated positive results. According to our employees, Loto-Québec ranks within the average with respect to the mobilization of personnel as compared to other organizations in the province. However, we can be doing better, as clearly demonstrated by the possible areas of improvement. Consequently, we will concentrate all of our efforts on enhancing how our organization operates.

ACKNOWLEDGEMENTS

In conclusion, I would like to thank all of our personnel for their outstanding dedication and professionalism. I also extend my sincere gratitude to the members of the Board of Directors for their invaluable collaboration and excellent advice. In particular, my thanks go out to the new Chairwoman of the Board, Ms. Solange Dugas, who has carried out her functions with considerable wisdom and conviction.



Alain Cousineau
President and Chief Executive Officer

LOTTERIES

RECORD SALES, SECURITY AND TECHNOLOGICAL IMPROVEMENTS

The $1.910 billion posted in lottery sales over the course of the year just ended is all the more remarkable within the context of a market that has reached maturity throughout Canada as it represents the highest level of sales ever attained. Such outstanding success would not have been possible were it not for the sustained efforts of all the teams working in the Lottery sector.

An elated winner at the *La Poule aux œufs d'or* 15th anniversary gala

In addition to the dedication of Lottery personnel, the positive results of the past fiscal year are attributable to the following factors:

- the resurgence of instant lotteries, propelled primarily by an increase in the average payout rate from 54% to 57%
- the popularity of the two sequences of bonus prizes underlining the 25th anniversary of *Lotto 6/49*; never in this product's history have all the of the first sequence's grand prizes been won, including a prize of $40 million
- the success of *Le Banquier*, a lottery associated with the popular television game show of the same name whose tickets were all sold
- the launch of *Triplex* and *Jour de paye*, two new online games
- the changes made to the *Québec 49* formula
- the record sales achieved by certain special products like *Célébration 2008*, *La Poule aux œufs d'or spécial gala*, *La Poule aux œufs d'or gala country* and *Méga-millions*
- the introduction of products of particular interest to young adults, such as the select edition of *Gagnant à vie* offering a special draw on the Énergie radio network
- the addition of baseball, soccer and basketball to the *Mise-o-jeu Prédictions* sports betting game
- the greater advertising presence in emerging media

An example of the new terminal currently being installed at points of sale

TECHNOLOGICAL IMPROVEMENTS

Several major technology-based projects were launched or pursued during the past fiscal year, including the innovative multi-cash system intended for superstores. Comprised of peripherals operated by store clerks, these devices serve as mini-terminals and allow consumers to purchase Quick Picks at secondary cashes. Some 1,800 of these units could eventually be installed if the pilot project currently underway at 25 sites proves to be conclusive.

In addition, the final preparatory stages of the extensive project involving the replacement of game terminals at all points of sale were completed during the year just ended. Initiated in April 2008, this project is slated to continue through 2009. Other technological endeavours within the sector included a complete overhaul of the sports betting computer platforms and the *Lotomatique* subscription system.

DISCLOSURE OF WINNERS' NAMES

Subsequent to the unfortunate incident which saw a couple's safety compromised shortly after the announcement of their lottery win in the media, Loto-Québec undertook a full examination of its practices related to the disclosure of winners' names. Based on that exercise, the Corporation reinforced its conviction of the importance of maintaining public communication as a means of assuring transparency, which is shared by all lottery corporations in North America.

Nevertheless, Loto-Québec developed a new procedural framework for its disclosure practices. The adoption of this new procedure demonstrates the Corporation's firm commitment to conciliating the security of individuals with the population's right to know who wins with the public lottery.

In accordance with the newly adopted policy, there is now a delay of 10 working days between the time a jackpot is claimed and a release is issued to the media. Moreover, information about winners is less detailed than before, and new millionaires are offered more guidance and closer follow-up by the Corporation's Customer Service representatives. Finally, winners are given the last word with respect to their participation in an eventual press conference.

LOTTERIES

As at March 31
(in thousands of dollars)

	Sales 2008	Sales 2007	Variation
Online Lotteries			
Lotto 6/49	**546,142**	514,282	31,860
Super 7	**190,529**	255,163	(64,634)
Québec 49	**69,440**	54,017	15,423
Extra	**158,211**	157,766	445
Banco	**132,670**	128,483	4,187
La Quotidienne	**38,064**	34,404	3,660
Jour de Paye	**19,676**	–	19,676
Joker	**68**	4,632	(4,564)
Astro	**5,176**	6,744	(1,568)
Triplex	**9,196**	–	9,196
Vie de millionnaire	**11,708**	12,342	(634)
Subtotal	**1,180,880**	1,167,833	13,047
Instant Lotteries			
Regular	**128,520**	126,816	1,704
Entertainment	**395,684**	360,535	35,149
Televised	**13,700**	15,031	(1,331)
Multimedia	**1,736**	2,586	(850)
Subtotal	**539,640**	504,968	34,672
Traditional Lotteries			
La Mini	**11,638**	12,265	(627)
Teleactive	**58,910**	59,186	(276)
Special Editions	**66,985**	47,734	19,251
Subtotal	**137,533**	119,185	18,348
Sports Betting	**52,067**	50,446	1,621
Total	**1,910,120**	1,842,432	67,688

THE KPMG REPORT

IMPORTANT CONTROL MEASURES IMPLEMENTED RAPIDLY

Maintaining the integrity of its operations has always been a top priority for Loto-Québec. As such, the Corporation wasted no time in reacting to an October 2006 media report claiming that the percentage of wins by retailers of the Ontario Lottery and Gaming Corporation was higher than that of other players.

A subsequent analysis of the situation in Québec found that there was no statistical basis for believing that Loto-Québec retailers win more often than other lottery players. Nevertheless, the Corporation wanted to ensure that the risks associated with the prize payment process were absolutely minimized.

Consequently, two days after the publication of the Ontario Ombudsman's report on the vulnerability of winners in that province to the possibility of retailer fraud, Loto-Québec's Board of Directors agreed to entrust an independent firm specialized in the gaming sector with the mandate to examine its lottery prize payment processes and procedures. More specifically, the mandate consisted of evaluating the Corporation's practices so as to ensure that the risks associated with prize payment processes are managed properly. The consulting firm was also to propose concrete recommendations for any areas in need of improvement. Moreover, Loto-Québec requested that the Auditor General responsible for verifying its affairs since its creation be informed of the firm's findings.

After the issuance of a Call for Tenders, the mandate was assigned to the consulting firm of KPMG, which submitted a report on October 11, 2007. The following day, Loto-Québec's Board of Directors adopted the report and each of its 35 recommendations. In accordance with these, a special Advisory Committee made up of senior management personnel was created in order to coordinate the implementation of all the measures proposed. A detailed plan was then developed for each improvement measure.

The process also saw the formation of four working groups respectively charged with conducting a follow-up in four key areas:

- the processing of prize claims, the management of complaints, and investigations
- the sales network
- information technologies
- consumers

The improvement strategies focused on training and the control measures recommended in the report were integrated into each working group's action plan. Being multidisciplinary, in addition to calling upon the input of Lottery Operations representatives, the groups also count on the contribution of resources from the Information Technologies, Security, Legal Services, Communications and Internal Auditing sectors.

All the recommendations contained in the KPMG report have been put into place or are in the process. Among the principal measures already implemented are the following:

- Launch of a multimedia awareness campaign reminding consumers about the importance of endorsing their tickets, verifying the indications on the game terminal's customer display, and listening to the different tones emitted by the terminal during ticket validation
- Introduction of new ticket validation procedures calling for retailers to now return all tickets to the customer (whether they are winners or not) along with the validation coupon
- Creation of a 1 800 telephone line enabling consumers with questions or complaints to contact the Customer Service Department 24 hours a day
- Standardization of the network so that all retailers selling lottery tickets must now be equipped with game terminals to allow for ticket validation; as such, there will no longer be any retailers selling only instant and passive tickets; in parallel, prizes can no longer be claimed at National Bank of Canada branches, and the prize amount that retailers are authorized to pay out has been standardized at a maximum of $600
- Obligation of retailers and their employees who sell lottery tickets to register online when new terminals are installed, thereby enabling the Corporation to maintain a log of all individuals involved in lottery sales
- Establishment of a decision-making structure for prize claims at Loto-Québec offices, including the obligation to present a piece of photo identification and answer a brief questionnaire; claims made by individuals on the register (retailers and their employees, wholesalers and Loto-Québec employees) are also subject to additional verification
- Gradual installation of self-serve ticket verification devices at all points of sale as of August 2008

Information related to the implementation of each of the 35 improvement measures is available on Loto-Québec's Web site. □

CASINOS

OFFERING UNPARALLELED CUSTOMER SERVICE

Loto-Québec's casinos take great effort to stand out from their competitors along the northeastern coast of North America, and in so doing, they focus particular attention on providing superior customer service. Indeed, this strategic orientation is at the very heart of the vision adopted for the coming years by the Corporation's Société des casinos du Québec (SCQ) subsidiary.

Players enjoying the highly popular Texas Hold'em poker

INTRODUCTION OF TEXAS HOLD'EM POKER

The implementation of electronic Texas Hold'em poker is certainly the key development that marked the past fiscal year at Loto-Québec's casinos in terms of their commitment to innovation and the diversification of game offerings. Since mid-January, the SCQ's establishments in Montréal, Gatineau and Charlevoix have been offering their clientele 25, 13 and 5 electronic poker machines respectively.

The development of the new space reserved for electronic poker required an investment of close to $5.4 million. Since opening to the public, poker enthusiasts have discovered how favourably the comfort, efficiency and integrity of the installations compare to what the industry has to offer elsewhere in North America.

NEW GAMES IN THE WORKS

In addition to the introduction of electronic poker, a number of other new game offerings are slated to make their appearance in the gaming houses. For example, Ingenio is currently pursuing research and development work in collaboration with the SCQ. In the process, the two subsidiaries have already developed prototypes for four new slot machine games, including one that is now certified, as well as for several new table games.

A model illustrating the work carried out at the Casino de Charlevoix

The positive reception that patrons have afforded to the introduction of cashless payment in casinos demonstrates their amenability to technological innovations. The new system has now been implemented in all three establishments, much to the satisfaction of players who particularly appreciate the technology's ease of use.

$16.3 MILLION RENOVATION PROJECT IN CHARLEVOIX

Quality entertainment offerings at the SCQ's casinos demand adequate installations. As such, the Casino de Charlevoix and Fairmont Le Manoir Richelieu Hotel embarked on a major renovation project that was completed in June 2008 at a cost of $16.3 million. Thanks to this work, the two establishments are now in a position to better meet the expectations of their ever-growing clientele.

The $12.4 million invested in the Casino served to improve its reception infrastructures, expand the show bar and revamp its gaming areas. At the Hotel, the $3.9 million expenditure allowed for the reconfiguration of the *Le Bellerive* Bistro.

Loto-Québec supplied half the amount required to complete all the work, while the other half of the costs were assumed by the Corporation's two partners that make up the tourist complex's owner consortium — the Fonds de solidarité de la FTQ and Fairmont Hotels & Resorts. Ultimately, the major investment made in the project resulted in the consolidation of jobs and the reinforcement of the complex's role as a catalyst for the region's economic development.

CONTINUOUS EMPLOYEE TRAINING

The success of the SCQ's customer focused positioning is due in large part to its casinos' personnel, as they are the ones who are in contact with clientele on a daily basis. In fact, the expertise and attitude of casino personnel have a major influence on the satisfaction of patrons and on their loyalty to the gaming houses.

To help their employees cultivate the passion for the customer, each casino offered its staff *Dream Service* training over the course of the past fiscal year. The objective of this training is to ensure that the organizational and operational culture of the gaming houses is permeated with a customer reflex. For their part, managers took part in a training workshop entitled *Dream Pilot*, which was designed to help them fulfill their coaching role with their employees.

Moreover, all casino employees are now required to participate in a series of compulsory courses focused on customer service. Running for a total of 18 months, successful completion of these courses is recognized with specific certification.

SUSTAINABLE DEVELOPMENT COMMITTEES

During the year just ended, the SCQ's establishments promoted the creation of a number of local committees among their employees. The principal purpose of these committees is to launch, encourage and coordinate initiatives aimed at environmental protection and sustainable development.

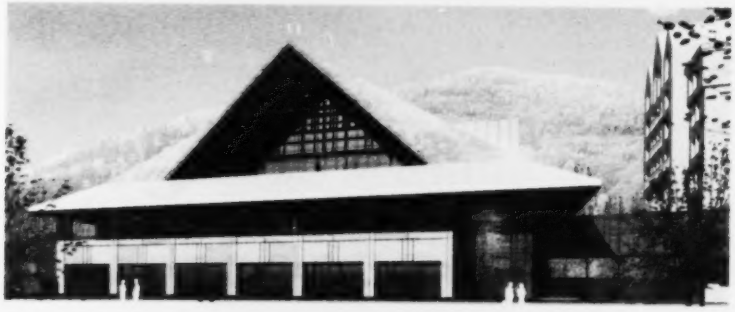
Such committees are now in operation at each casino. They were able to be formed so quickly thanks to the spontaneous enthusiasm of many employees sparked by their interest in undertaking concrete actions in support of environmental protection.

AGE CONTROL MEASURES

As part of its commitment to restricting casino access to individuals aged 18 and over, management implemented a number of new measures to reinforce the control of those wishing to enter its establishments.

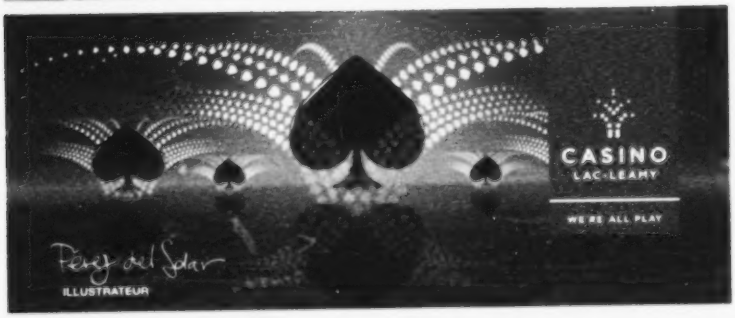
RESTAURANTS EARN COVETED DISTINCTIONS

Once again this past year, the SCQ's restaurants succeeded in obtaining or retaining a number of prestigious distinctions. For example, the Casino de Montréal's *Nuances* and Casino du Lac-Leamy's *Le Baccara* held on to the CAA and AAA automobile associations' Five Diamond rating for the eighth consecutive year. For its part, *Le Charlevoix* was again awarded a Four Diamond rating.



A NEW CASINO AT MONT-TREMBLANT

A new casino is scheduled to open its doors in Québec in the summer of 2009. To be situated on Mont-Tremblant's Versant Soleil, the Casino de Mont-Tremblant is designed for a clientele made up primarily of tourists and vacationers and will serve to enrich tourism offerings in the Greater Laurentians region. The new facility is being established in place of the gaming hall originally planned for the site. It will offer patrons some 400 slot machines, including electronic Texas Hold'em poker units, as well as 20 game tables, a private hall, an area reserved for High-Limits players, and basic food and beverage services.



A NEW BRAND IDENTITY

The Société des casinos du Québec called upon the talents of Québec creators during the past fiscal year to renew its logo, those of its establishments, as well as the visual design of its advertising materials. The adoption of a new brand identity marks an important milestone in the life of a commercial enterprise. In so doing, the SCQ was striving to send a strong message to the public indicating that the casinos have new wind in their sails and that no effort was being spared to offer visitors a totally pleasurable gaming experience. Thus, the visual themes selected illustrate the festive spirit that patrons are seeking when they pass through the casinos' doors. □

VIDEO LOTTERIES

NEW STRIDES IN NETWORK RECONFIGURATION

The reconfiguration of Loto-Québec's network of video lottery terminals (VLTs) made new strides during the course of the past fiscal year. The highlight of the year was the opening of the new Ludoplex in Trois-Rivières and Québec City — two measures proposed in the Corporation's 2004-2007 Development Plan aimed at reducing accessibility to VLTs.

The two gaming halls were initially to house 200 and 335 VLTs respectively. Close to one third of these units were already in service — 65 at the Trois-Rivières hippodrome, and 100 at Québec City's track.

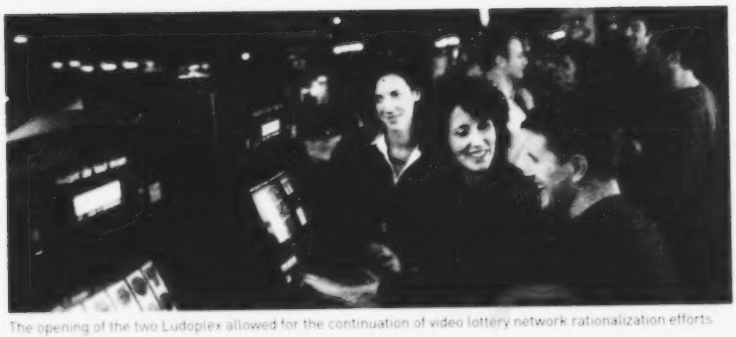
In May 2008, 40 terminals were withdrawn from the Ludoplex de Trois-Rivières and 60 from the Québec City gaming hall, being replaced by four and six electronic Texas Hold'em poker machines respectively, each of which can accommodate 10 poker players. As such, overall game offerings at the two Ludoplex remained unchanged.

PURSUING RATIONALIZATION EFFORTS

The arrival of the two Ludoplex has enabled the Corporation to continue its video lottery terminal network rationalization efforts. When the reduction plan was first initiated, the network was comprised of 3,663 sites. At March 31, 2008, it encompassed only 2,733, representing a cut of more than 900 sites.

The past fiscal year was marked by the following major highlights within the Video Lottery sector:

- The closing of 32 sites in Québec City and 29 in Trois-Rivières subsequent to the opening of the gaming halls
- The continuation of the withdrawal program in return for financial compensation offered to operators of targeted sites as part of the 2004-2007 triennial plan
- The preservation for the sixth consecutive year of the government moratorium on the issuing of video lottery operating licenses



The opening of the two Ludoplex allowed for the continuation of video lottery network rationalization efforts

EVALUATION AND CONTINUOUS IMPROVEMENT IN BARS

The SLVQ has implemented a program for the evaluation and continuous improvement of methods to manage responsible gaming in bars offering video lotteries. This program is designed to verify the extent to which bar owners are respecting the obligations they are bound by in conjunction with the Responsible Marketing Code. The first of its kind within the industry, this Code includes 20 obligations aimed at promoting the appropriate management of video lottery terminals by site operators.

Adherence to the 20 obligations outlined in the Code is evaluated through announced visits by the SLVQ and observations made by phantom shoppers. After visits made to all bars during the year just ended, almost all retailers were found to be in compliance with the principal stipulations of the Code.

This excellent result is corroborated by the findings of a survey conducted among 1,600 bar owners and employees indicating that 96% of these individuals consider the Responsible Marketing Code to be a good initiative. The same proportion of respondents expressed a favourable opinion of the provisions contained in the Code.

During the year just ended, some 1,750 new participants took part in the *Taking risks is no game* training sessions. In all, close to 13,000 bar owners and employees have completed this training since the launch of the program in 2006. The program's objective is to enable bar personnel to better detect and assist excessive players, without actually pretending to be a substitute for specialists in the field.

EVOLUTION OF THE NUMBER OF SITES AND VIDEO LOTTERY TERMINALS (VLTs) IN QUÉBEC

	Initial Situation	Situation as at March 31, 2008	Reduction	
			Number	%
Total Sites	**3,663**	**2,733**	**(930)**	**(25.4)**
Bars and brasseries	3,639	2,727	(912)	(25.1)
Hippodromes and Ludoplexes*	24	6	N/A	N/A
Total VLTs	**14,300**	**12,651**	**(1,649)**	**(11.5)**
Bars and brasseries	13,870	11,851	(2,019)	(14.6)
Hippodromes and Ludoplexes*	430	800	370	86.0

* The 24 sites located in hippodromes were consolidated at four establishments in Montréal, Québec City, Trois-Rivières and Aylmer respectively.

Number of sites and VLTs awaiting installation: 48 sites and 204 VLTs

DISTRIBUTION OF SITES AND TERMINALS BY REGION

As at March 31, 2008

Region	Number of Terminals	Number of Sites
Laval, Laurentians, Lanaudière	**2,037**	**436**
Montréal	**3,647**	**717**
Québec City, Chaudière, Appalaches	**1,616**	**311**
Mauricie, Bois-Francs	**891**	**172**
Estrie	**710**	**173**
Saguenay, Lac-Saint-Jean, North Shore	**609**	**162**
Lower Saint Lawrence, Gaspésie, Îles-de-la-Madeleine	**376**	**113**
Abitibi, Témiscamingue, Northern Québec	**400**	**96**
Montérégie	**1,602**	**385**
Outaouais	**763**	**168**
Total	**12,651**	**2,733**

NEW GAMING HALLS

Opened in autumn 2007, the new gaming halls were constructed and developed within the prescribed budgets and timetables. The Ludoplex de Trois-Rivières was built at a cost of $25.2 million and fitted with equipment valued at a total of $6.7 million. For its part, the cost of constructing the Ludoplex de Québec equalled $26 million, and its equipment required an investment of $7.7 million.

The two establishments were designed and built in accordance with Loto-Québec's commitments in the area of sustainable development. In the process, many precautions were taken to enable the buildings to obtain Leadership in Energy and Environmental Design (LEED) accreditation.

Managed responsibly by the Société des loteries vidéo du Québec (SLVQ), Loto-Québec's two Ludoplex are subject to a series of prevention and control measures aimed at promoting responsible gaming practices. These measures include:

- the use of a payment card that allows players to set a limit on the amount they wish to spend playing during a visit
- the absence of a loyalty program
- access to a self-exclusion program
- prohibition of alcohol consumption in gaming areas
- the presence of personnel trained in the practice of responsible gaming

In view of the opening of the gaming halls in Trois-Rivières and Québec City and the modified vocation of the establishment in Mont-Tremblant, Loto-Québec management no longer deemed it to be opportune to maintain a distinct subsidiary for the operation of the Ludoplexes. Therefore, the decision was made to dissolve the Société des salons de jeux du Québec and to entrust the Société des loteries vidéo du Québec with the responsibility to operate the gaming halls. For its part, the Casino de Mont-Tremblant will become the fourth establishment to fall under the auspices of the Société des casinos du Québec. □

BINGO

OVER $100 MILLION CONTRIBUTED TO ORGANIZATIONS OVER THE PAST DECADE

The Société des bingos du Québec (SBQ) is entrusted with the mandate to create and market network bingo games as a way of financially supporting non-profit organizations (NPOs) that hold a bingo license. Since commencing operations 10 years ago, Loto-Québec's SBQ subsidiary has contributed close to $104 million to such organizations, representing an average of more than $10 million annually.

Billet 10e anniversaire is a product that attracted great interest.

Each year, in fact, the SBQ awards 100% of the profits generated by its network product sales to NPOs for the financing of their activities. Thanks to the results of the past fiscal year, this translates into a contribution of $10.6 million for 2007-2008.

PRODUCTS INCREASINGLY APPRECIATED BY BINGO ENTHUSIASTS

The SBQ offers three different network bingo products — *Le Petit Tour* in the afternoon, *Le Grand Tour* in the evening, and *Caméléon* played both afternoons and evenings. Caméléon was introduced in September 2007, replacing the previously offered *Tour Éclair*.

The three products are available simultaneously in close to 100 bingo halls, the majority of which are among the largest in Québec. The rate of satisfaction among bingo enthusiasts with the SBQ's games has increased markedly over the course of the past year. In the case of *Le Grand Tour*, for example, the level of satisfaction grew from 78% to 85%.

REMARKABLE RESULTS

Year after year, the SBQ makes every effort to enhance the effectiveness of bingo as a fundraising tool in aid of non-profit organizations. Once again this past reporting period, despite a drop in clientele and the closing of several halls, the subsidiary's revenues were on the rise, just falling short of a record level. Indeed, the past fiscal year's sales of $41.1 million are only slightly below the $41.3 million posted nine years ago, when bingo halls played host to close to four million more bingo enthusiasts.

The results of the year just ended attest to the excellent performance of regular network bingo products, attributable in large part to the success of the new *La Grande Lisière* bingo card format. In addition, the introduction of the *Billet 10e anniversaire* also contributed to the positive results of the past year.

PROMOTIONAL INITIATIVES

The SBQ's dynamism was once again in evidence during fiscal 2007-2008 via its new products (*Caméléon* and *Billet 10e anniversaire*), its attractive promotions, and its *Place à l'artiste* summer tour hosted by the popular Joël Denis, legendary star of the hit TV show *Jeunesse d'aujourd'hui*. Furthermore, the *Célébration au gagnant* events that highlight large wins obtained by players in bingo halls also contributed to promoting bingo as an entertaining pastime.

NEW REGULATION

In effect since June 1, 2008, the Régie des alcools, des courses et des jeux's new regulation concerning bingo does not impact network products. Governed by its own regulations, the SBQ will, thus, continue to contribute all of its profits to non-profit organizations that hold bingo permits. □

INGENIO

SUPPORTING BUSINESS UNITS THROUGH RESEARCH AND DEVELOPMENT

Whatever the business sector, research and development activities are vital to all enterprises seeking to improve their products, sustain their market position, and to remain competitive. In the gaming sector, much of the competition originates from an increasingly diversified and growing range of other forms of entertainment. Within this context, Ingenio, Loto-Québec's research and development subsidiary, is a key contributor to the Corporation's long-term strategy for the renewal of its game offerings.

During the past fiscal year, Ingenio worked in close collaboration with Loto-Québec's business units to support the advancement and execution of a number of different projects, offering its valuable expertise to help develop new products and explore new ways of bringing them to market.

The subsidiary was also called upon to develop effective mechanisms to improve management and promote the Corporation's innovations within international markets.

NEW CASINO GAMES

The first of three games developed in 2006-2007 under the banner of Loto-Québec's partnership with Bally Technologies, the *La Poule aux œufs d'or* slot machine game received certification for the international market in 2007. It was also certified in 2008 for use in Québec. Machines offering La *Poule aux œufs d'or* (*Hatch the Cash*) are now in service in some 15 different markets, including several American states, some South American and European countries, as well as at the MGM Grand in Macao, China.

The two other games developed in 2006-2007 — *Dog Show* and *Groovy Machine* — should be certified during the course of the present fiscal year, while a fourth game — *Cash Meteor* — attracted considerable interest at the Bally Technologies booth at the Global Gaming Expo held in November 2007 in Las Vegas. Visitors at the show were particularly impressed by the innovative options of this game, which will enter its certification phase in 2008-2009.

Working in collaboration with the Société des casinos du Québec, Ingenio has developed several concepts and prototypes of original games as well that take advantage of all the possibilities offered by new game platforms.

A NEW JEUX ÉCLAIR LOTTERY CATEGORY

The past fiscal year also saw Ingenio work hand in hand with the Lottery sector in order to add an interactive short game category to that sector's product line. Grouped under the Lotoclic designation, these Jeux éclair (flash games) can be found on the Internet at lotoclic.com.

To activate a session for one of these new interactive games, players enter the 16-digit code they obtain by scratching a *Lotoclic* instant lottery ticket. It is this ticket's code and not players' skill level that determines whether or not they win. This new type of product developed by Ingenio was also launched by the British Columbia Lottery Corporation in 2007, and other lottery corporations are considering the possibility of integrating flash games into their product offerings.

RESEARCH FOR BINGO

Among Ingenio's other principal initiatives during the past fiscal year were its collaborative efforts on behalf of the Société des bingos du Québec aimed at renewing that subsidiary's game offerings. As part of these efforts, a joint research team was formed to study the different avenues available subsequent to the introduction of a new regulation governing play at bingo halls. □

CASINO MUNDIAL

GREATER COLLABORATION WITH ITS PARTNERS

Through its Casino Mundial subsidiary, Loto-Québec is co-proprietor of JOA Groupe, owner and operator of a network of 20 casinos in France. Formerly known as Moliflor Loisirs, the enterprise based in Lyon enjoys a 9.2% share of the French gaming house market. During the fiscal year ended on October 31, 2007, the Group's revenues reached 276 million euros, up 6.9% from the previous reporting period.

Casino Mundial has a 35% interest in JOA Groupe. Its co-shareholders are the European Bridgepoint Capital investment firm and the Group's management team, which respectively hold a 55% and 10% interest in JOA Groupe.

The second year of Casino Mundial's business partnership with the Group was marked by increased operational collaboration. Exchanges on best practices and knowledge transfer were conducted as part of a service contract with an initial duration of three years. Under the terms of this agreement, Loto-Québec is offering its resources and expertise to help develop and add value to JOA Groupe.

The Corporation's close cooperation with its business partners was particularly evident in the following initiatives:

- preparation of nomination documents for the future Villeneuve-Loubet casino
- completion of evaluation studies in view of acquiring casinos in France
- implementation of a patron loyalty program
- provision of project management consulting services for the establishment of the Sanary-sur-Mer casino

A NEW BRAND IMAGE

The modification of the Group's brand and visual identity attests to an important change of course in its orientations. JOA Groupe is striving to expand its clientele and to offer casino patrons the most entertaining and welcoming environments possible, thus setting its establishments apart from the conventional offerings within the French gaming house sector.

In line with this commitment, the Group's establishments have now introduced a multi-site loyalty program. Moreover, in the fall of 2008, an excessive gaming prevention program will be put into place modelled after Loto-Québec's example.

The third largest casino operator in France with a workforce comprised of 1,625 salaried employees, JOA Groupe operates 2,000 slot machines, 57 traditional game tables, and a number of related enterprises such as restaurants, bars, discotheques and hotels. The Group's casinos played host to some five million patrons last year. □

SPONSORSHIP PROGRAM

AND SUPPORT OF THE VISUAL ARTS MILIEU

During the year just ended, Loto-Québec devoted a total of $14.6 million to the sponsorship of events of various kinds. This sum represents 1% of the Corporation's consolidated net profits, the percentage established in its 2004 sponsorship policy.

The events supported fall into three groups — some 100 different events known as *Les Rendez-vous Loto-Québec*, sponsorships associated with the casinos, and societal sponsorships.

Selected on the basis of their ability to attract tourists and generate economic spin-offs, *Les Rendez-vous Loto-Québec* include festivals, cultural events and public gatherings accessible to all or offering a significant range of free activities.

For its part, *La Collection Loto-Québec* acquired no fewer than 192 new works of art at a cost of $348,000 during fiscal 2007-2008. Created in 1979 to stimulate and create awareness of creation within the province's contemporary visual arts milieu, the Collection now encompasses close to 4,000 distinctive works by more than 975 Québec artists. The Collection's works are on display at the casinos, gaming halls and in other Loto-Québec buildings. They are also shown in regional exhibits and loaned out to various Government ministries and agencies.

Moreover, Loto-Québec's support of the province's artists takes the form of exhibitions at Espace Création Loto-Québec, the Corporation's gallery located on the main floor of its head office building. During the year just ended, the gallery played host to three major exhibitions dedicated to Frédéric Back, Francois Vincent and Québec glassblowers respectively. □

LES RENDEZ-VOUS LOTO-QUÉBEC

ESPACE CRÉATION LOTO-QUÉBEC

FONDATION MISE SUR TOI

PROMOTING, PREVENTING AND PROTECTING

An initiative of Loto-Québec created in 2002, the Fondation Mise sur toi's mission is to sensitize and inform the Québec population about games of chance in order to enable individuals to make responsible and educated decisions and to maintain responsible gaming behaviour.

The Fondation is committed to achieving three principal objectives:

- Promoting healthy gaming behaviour
- Preventing the harmful effects of compulsive gambling
- Protecting people who are vulnerable

RESPONSIBLE GAMING AWARENESS WEEK

For the second consecutive year, working in collaboration with the Corporation's Communications teams, the Fondation organized a Responsible Gaming Awareness Week for the personnel and clientele of Loto-Québec and its subsidiaries. One of the highlights of this event was the launch of an advertising campaign promoting responsible gaming behaviour and the 1 866 SOS-JEUX help hotline. Run in both English and French, this major campaign made use of the electronic and print media, including the regional press.

Responsible Gaming Awareness Week coincided with to opening of an AU CENTRE DU HASARD information centre at the Casino du Lac-Leamy. Modelled upon the existing centre at the Casino de Montréal, this second such resource offers players the opportunity to ask themselves some questions concerning their attitudes and habits related to gaming. Operated by specialists in the field, the two centres help players make the clear distinction between games of skill and games of chance.

NEW WEB SITE

The Fondation Mise sur toi now has its own Web site providing it with better visibility and allowing it to communicate directly with individuals online. Distinct from but always accessible via Loto-Québec's site, misesurtoi.ca contains a wealth of information of interest to people and their families seeking help or guidance. The site also provides access to the *Your Player Profile in 8 Questions* pamphlet and the *Gambling Should Remain a Game* self-help manual.

Furthermore, the Fondation concluded an agreement with the producers of the Virginie television series to establish its virtual presence on the Campus Sainte-Jeanne-D'Arc's micro-site. This agreement allows the Fondation to sensitize Internet users to the importance of adopting healthy gaming behaviour and of preventing young people from gambling.

ENHANCED SELF-EXCLUSION PROGRAM

Since the opening of Québec's first casino in 1992, Loto-Québec has offered gaming house patrons the benefit of a self-exclusion program. The Fondation is actively involved in assuring the effective operation of this program, which is now offered at all three casinos and the two Ludoplex.

Loto-Québec's self-exclusion program was enhanced in 2007 with the addition of the services of a professional counsellor, thereby offering players the benefit of expert support for the duration of their self-exclusion. Upon expiry of the contract, players are invited to an evaluation and information meeting to enable them to make an enlightened decision as to whether or not to extend their self-exclusion.

During the past fiscal year, 1,384 self-exclusion contracts were signed, with a total of 3,289 such contracts in effect as at March 31, 2008. Individuals can now enrol in the program directly from Maison Jean Lapointe in Montréal, the CASA and Ubald-Villeneuve Centres and Loto-Québec's Operational Centre in Québec City, Centre Domrémy in Trois-Rivières, and Centre Jellinek in Gatineau.

PERSONNEL AND PARTNER TRAINING

Excessive gaming information and awareness initiatives among Loto-Québec personnel and patrons were actively pursued during the past fiscal year. For example, various training workshops were organized for operators of establishments equipped with video lottery terminals and their employees. These sessions are designed to promote awareness of the problems associated with excessive gaming and offer a personalized approach to patrons showing signs of vulnerability.

FINANCIAL SUPPORT TO THE COMMUNITY

The Fondation lends its financial support to a number of community organizations that submit requests for projects related to the prevention of excessive gaming. Prior to selecting these organizations, the Fondation conducts a thorough analysis of their respective requests to ensure that they are aligned with the objectives and priorities of its mission. Over the course of the year just ended, the Fondation contributed a total of $1,000,000 to 29 different organizations.

Among the major initiatives that received the Fondation's support this past year was the first responsible gaming sensitization campaign ever developed for the First Nations. Designed under the theme, *Other Ways to Catch One's Dreams*, the campaign reached 12 communities in 2007. The project was an initiative of the Fondation Kanatha, a non-profit organization dedicated to ensuring the well-being of First Nations and Inuit people, and to protecting their values and cultural differences. □

SUSTAINABLE DEVELOPMENT

AN INITIATIVE ALREADY BEARING FRUIT

Since 2005, Loto-Québec has been actively pursuing a sustainable development initiative encompassing a variety of economic, social and environmental dimensions within all of its activity sectors. This initiative was undertaken for the benefit of employees, consumers, business partners and Québec society as a whole.

A CONTROLLED FRAMEWORK

Loto-Québec ensures adherence and close monitoring of its sustainable development initiative through the work of a sustainable development and social responsibility committee made up of some 20 representatives of its subsidiaries and various corporate units. In addition, the Corporation has 15 or so other internal committees in place that propose actions to be taken in the area of sustainable development.

Since the adoption of its sustainable development policy in 2006, Loto-Québec's Board of Directors is regularly advised of the evolution of this initiative. Moreover, under the banner of the Corporation's 2007-2010 strategic planning, each unit integrates concrete sustainable development actions into its operational plan, complete with targets, indicators and timetables.

The Corporation monitors the policy adopted in 2006 by way of a comprehensive annual assessment. During fiscal 2007-2008, the established targets were attained at an average rate of 87% — an excellent result given that it was the policy's first year in effect.

AN ACTION PLAN ALIGNED WITH THE GOVERNMENT'S STRATEGY

Tabled in the National Assembly at the end of 2007, the Government's 2008-2013 Sustainable Development Strategy is now in the process of being implemented. Following in the footsteps of the Ministries and other departments within the province's public administration, Loto-Québec will publish its own action plan by no later than March 31, 2009.

Committed to a structured approach based on the Government's directions, the Corporation has also joined the Comité interministériel de développement durable, a consultative body made up of representatives of all provincial Ministries and certain other Government organizations.

2007-2008 ACCOMPLISHMENTS

Loto-Québec's principal accomplishments during the past fiscal year were concentrated primarily in the areas of residual materials management, the reduction of water and energy consumption, the eco-responsible management of events, and on improving its procurement practices.

Management of Residual Materials

- Residual materials management program at all buildings for paper, cardboard, plastic, glass, metal, light bulbs, fluorescent tubes, computer equipment and construction materials
- Establishment of warehouses for reusable office furnishings
- Creation of a paperless meeting room at the Casino du Lac-Leamy
- Establishment of a residual materials management depot at the Casino de Montréal

Reduction of Energy Consumption

- Control of lighting based on site occupation
- Shutdown of ventilation systems when premises are unoccupied
- Control of indoor building temperature day and night
- Replacement of existing lighting with low energy consumption equipment
- Installation of a bicycle shelter and bicycle rental
- Acquisition of hybrid vehicles, review of transportation routes and optimization of travel

Reduction of Water Consumption

- Implementation of a water consumption reduction program at all establishments
- Installation of ecological sanitary equipment and water meters in all buildings

Eco-Responsible Events

- Production of a training guide for the organization of eco-responsible internal events
- Sensitization of festival and public event organizers about the importance of adopting an eco-responsible approach
- Participation in the advisory committee for the eco-responsible event management certification project being developed at the Bureau de normalisation du Québec, an initiative of the Réseau québécois des femmes en environnement

Partnerships

- Partnership with UQAM's Chaire de responsabilité sociale et de développement durable
- Participation in Espace concertation, an association of companies and public organizations dedicated to standardizing responsible procurement practices
- Partnership with the Écho-Logique Consortium, an organization supported by Recyc-Québec to see to the collection of recyclable materials on the site of events held in the province
- Participation in the round table on communication and sustainable development organized by UQAM's Chaire en relations publiques et communication marketing
- Partnership with the International ECONOMUSEUM® Network Society in support of Québec artisans to promote their expertise and craftsmanship

Responsible Procurement

- Development of an approach to the responsible procurement of goods and services that respects the principles of sustainable development
- Awarding of mandates to adapted work centres
- Replacement of computer equipment with multifunctional models
- Use of 100% recyclable paper for virtually all publications
- Gradual integration of more environmentally friendly products, such as biodegradable cleaning products, ecological paints, etc.

Among the Corporation's other noteworthy achievements were its participation in a number of activities related to sustainable development, the various certifications and distinctions earned, as well as its different awareness and information initiatives.

Certifications and Distinctions

- *Go Green Plus* certification awarded to three more buildings — the Multifunctional Centre and Pierre-de-Coubertin building in Montréal, and the Laval office building
- *Pilier d'Or* award in the Management Merit category presented by the Association des gestionnaires de parcs immobiliers institutionnels
- BOMA Québec *Building of the Year* award in the 9,290 – 23,225 m2 category for the Multifunctional Complex
- BOMA Québec *Environment Building* award for the Operational Centre in Québec City
- Award at the Environmental and Sustainable Development Recognition Gala in Montréal in the Companies and Industries category for the *Organize Events That Respect the Principles of Eco-Responsibility* project

Awareness and Information Activities

- Production of the *Empreinte* electronic newsletter for posting on the lotoquebec.com Web site
- Development and implementation of an awareness and information campaign for employees under the theme, *We win by cutting down*, focused on the reduction of paper consumption
- Participation in *Climate Challenge*, a triennial Montréal campaign aimed at reducing the effects of greenhouse gas emissions

2008-2009 Objectives For All Loto-Québec Buildings

- Diminish paper consumption by 15%
- Reduce drinking water consumption by 20%
- Lower energy consumption by 10%

Action durable
Geste responsable

On gagne à réduire

FINANCIAL REVIEW

At the end of fiscal 2007-2008, Loto-Québec's consolidated revenues totalled a little over $3.8 billion. Compared to the previous reporting period, this represents an increase of $51.3 million (1.4%) despite a significant decline of $49.4 million (-4.5%) in revenues generated by the video lottery network. This sector's diminished revenues were compensated for, however, by the increased earnings posted by traditional lotteries and casinos, which grew respectively by $67.7 million (3.7%) and $32.2 million (4.2%).

The Corporation recorded a consolidated gross margin of $2.348 billion during the past fiscal year, representing a decline of $16.2 million (-0.7%) as compared to the previous year, while operating expenses at $776.5 million were up by $3.2 million (0.4%). For their part, consolidated net earnings at $1.436 billion dropped by $31.9 million (-2.2%) with respect to fiscal 2006-2007.

LOTTERIES

The Lottery sector posted record sales of $1.910 billion during fiscal 2007-2008, representing an increase of $67.7 million (3.7%) over the previous year. While all product families registered some growth during the course of the year, the boost in sales is attributable primarily to the positive performance of instant products, whose sales rose by $34.7 million (6.9%). This upswing is in turn explicable by the positive effects of the increase in instant lottery average payout rates from 54% to 57%.

The sector's gross margin totalled $712.5 million, a decline of $8.4 million (-1.2%) over the previous reporting period. In all, the sector paid out $1.031 billion in prizes to winners and $131 million in commissions and financial compensation to retailers.

Consolidated Revenues

Consolidated Net Earnings

CASINOS

The Casino sector's revenues grew by $32.2 million (4.2%) during the past fiscal year to reach $790.4 million. This excellent performance is primarily a reflection of the full effect of the technological modifications made to the slot machines, which now operate on a cashless basis, thereby increasing their availability. In addition, the introduction of electronic Texas Hold'em poker during the last quarter of the year also contributed to boosting revenues. Finally, combined promotional allowances remitted to players by the three casinos equalled $23.2 million.

Revenues

As at March 31
(in millions of dollars)

	2007-2008	[illegible]	[illegible]	[illegible]
Casino de Montréal	532.6	506.4	26.2	5.2
Casino de Charlevoix	49.0	49.9	(0.9)	(1.8)
Casino du Lac-Leamy	208.8	201.9	6.9	3.4
Total	790.4	758.2	32.2	4.2

RESTAURANTS AND LODGING

At $104.2 million, revenues earned by the Restaurant and Lodging sector were at a similar level to those of the previous year, having increased slightly by $0.2 million (0.2%). For their part in particular, restaurant revenues of $87.1 million showed a decline of $0.7 million (-0.8%) as compared to fiscal 2006-2007. Of these total revenues, $45.5 million was derived from transactions with the Casino sector.

At the Hilton Lac-Leamy, lodging revenues grew by $0.9 million (5.5%) to reach a total of $17.1 million during the year just ended. This positive result was made possible by an increase in the average rate charged for a one-night stay, which more than compensated for the drop in occupancy.

VIDEO LOTTERIES

At $1.048 billion, the Video Lottery sector's revenues showed a decline for the second consecutive year. This decrease of $49.4 million (-4.5%) is due to two major factors. Firstly, a $26.2 million (-53%) drop in earnings recorded in the months of April and May 2007 is attributable directly to the impact of the legislation prohibiting smoking in bars that came into effect on May 31, 2006. Secondly, a $23.2 million (-47%) decline in earnings resulted from the network reconfiguration initiative that continued during fiscal 2007-2008. Originally proposed in the Corporation's 2004-2007 Development Plan, this reconfiguration effort is aimed at reducing the total number of sites and video lottery terminals in operation within the network.

BINGO

Despite a market in a state of decline, various promotional initiatives combined with the introduction of new products allowed the Bingo sector to post revenues of $41.1 million, up $1.7 million (4.3%) from the previous year. Consequently, the Société des bingos du Québec was able to remit a total of $10.6 million to non-profit organizations during fiscal 2007-2008. Moreover, prizes awarded to bingo winners and commissions paid out to hall operators equalled $19.2 million and $2.5 million respectively.

MULTIMEDIA

The Multimedia sector recorded revenues of $0.6 million during the year just ended, as compared to $1.1 million during the previous year. Of the sector's total earnings, $298,000 originated from outside Canada, $138,000 was generated within the country but outside Québec, and $190,000 was earned in return for services rendered to Loto-Québec.

INTERNATIONAL

The International sector posted revenues of $1.5 million, derived from a service contract with JOA Groupe. Casino Mundial's investment in this company enabled Loto-Québec to generate interest income of $7.6 million, as well as additional revenues of $0.5 million from its share of JOA Groupe profits. On the other hand, a loss of $5 million in unrealized foreign exchange was posted, in contrast with the $8.1 million gain realized in fiscal 2006-2007. At $8.7 million, excluding the loss in unrealized foreign exchange, net income for this sector during the year just ended was essentially the same as the 2006-2007 figure of $8.8 million, again excluding the gain in unrealized foreign exchange.

OPERATING EXPENSES

Totaling $776.5 million, Loto-Québec's operating expenses were up slightly by $3.2 million (0.4%) compared to the previous year. The Corporation's ratio of operating expenses to total revenues was somewhat improved, moving from 20.4% in 2006-2007 to 20.2% in 2007-2008.

Operating expenses within the Lottery sector grew by $4.1 million (2.3%) during the past fiscal year, with costs of $2.2 million incurred, most notably for the launch of the consumer awareness campaign concerning the endorsement of lottery tickets and for the optimization of the distribution network. These initiatives were undertaken during the last quarter in response to the recommendations of the report prepared by the KPMG consulting firm, which was entrusted with a mandate to examine the Corporation's prize payment processes and procedures.

Thanks to its numerous initiatives, the Casino sector saw its operating expenses decline by $6.3 million (-1.1%). These initiatives included the outsourcing of its theatre operations, the repositioning of animation programs at the gaming houses, the reduction of the number of management levels at the Casino du Lac-Leamy, and the introduction of cashless technology. For its part, however, the Video Lottery sector saw its operating expenses rise by $6.9 million (6.8%) in conjunction with the establishment of the two Ludoplex.

OTHER ITEMS

Other items totalled $135.3 million during fiscal 2007-2008, up $12.5 million (10.2%) from the previous reporting period, attributable primarily to activities within the International sector.

CONTRIBUTIONS TO GOVERNMENTS

Loto-Québec's contribution in the form of dividends to the Ministère des Finances amounted to $1.361 billion during fiscal 2007-2008, or $30 million less than during the previous year. An additional $75.9 million was paid into the Québec Government's various designated funds, along with a sum of $87.1 million to the Ministère du Revenu in tax on capital and Québec Sales Tax. Thus, total contributions to the Québec Government equalled more than $1.524 billion. Furthermore, the Corporation contributed $15 million to the Government of Canada as compensation for its withdrawal from the lottery sector, as well as $60.3 million in the form of Goods and Services Tax.

MANAGEMENT'S REPORT

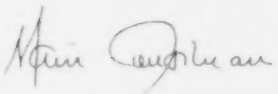
The consolidated financial statements of Loto-Québec have been prepared by management, who is responsible for their preparation and presentation, and includes important estimates and assumptions. This responsibility also includes the selection of the proper accounting policies in accordance with Canadian generally accepted accounting principles. Financial information provided elsewhere in the Annual Report on Activities is consistent with that shown in the financial statements.

To meet its obligations, management maintains internal control systems that are designed to provide reasonable assurance that the assets are safeguarded and the transactions are properly recorded and approved, and that they enable management to produce reliable consolidated financial statements. Corporate management of the internal audit performs periodic audits in order to ensure the adequacy and maintenance of the internal controls applied consistently by Loto-Québec.

Loto-Québec recognizes that it is responsible for managing its business in compliance with the laws and regulations that govern it.

The Board of Directors, assisted by its Audit Committee, consisting solely of outside directors, monitors management's responsibilities regarding the financial information and approves the consolidated financial statements. The Audit Committee meets with management and the Auditor General of Québec, reviews the Corporation's consolidated financial statements and recommends their approval to the Board of Directors.

The Auditor General of Québec has audited the consolidated financial statements of Loto-Québec, in compliance with Canadian generally accepted auditing standards, and his auditor's report states the nature and scope of this audit and his statement of opinion. The Auditor General has free access to the Audit Committee to discuss audit-related issues.



Alain Cousineau
President and Chief Executive Officer

Gille Dufour
Senior Vice-President Financial Affairs

Montréal, May 22, 2008

AUDITOR'S REPORT

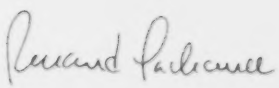
To the Minister of Finance

I have audited the consolidated balance sheet of Loto-Québec as at March 31, 2008 and the consolidated statements of earnings, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these consolidated financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2008, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Auditor General Act* (R.S.Q., chapter V-5.01), I report that, in my opinion, except for the changes made to accounting policies related to financial instruments and explained in Note 3, these principles have been applied on a basis consistent with that of the preceding year.

The Auditor General of Québec,



Renaud Lachance, CA

Québec, May 22, 2008

CONSOLIDATED STATEMENT OF EARNINGS

Year ended March 31, 2008

(in thousands of dollars)

	2008	2007
Revenues	**3,850,177**	3,798,832
Cost of sales (note 4)	**1,502,202**	1,434,688
Gross margin	**2,347,975**	2,364,144
Operating expenses		
Operating costs	**670,565**	665,992
Depreciation and amortization of property, plant and equipment	**84,525**	80,742
Amortization of intangible assets	**9,797**	11,557
Interest – net (note 5)	**11,618**	14,976
	776,505	773,267
Earnings before the undernoted	**1,571,470**	1,590,877
Special payments (note 6)	**33,551**	32,008
Goods and Services Tax	**41,025**	44,073
Québec Sales Tax	**56,230**	55,814
Share in a company subject to significant influence,	**4,980**	(8,066)
JOAGROUPE Holding	**(479)**	(1,017)
	135,307	122,812
Net earnings	**1,436,163**	1,468,065

Segmented information (Note 24)

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Year ended March 31, 2008

(in thousands of dollars)

	2008	2007
Balance, beginning of year	**135,082**	134,776
Net earnings	**1,436,163**	1,468,065
	1,571,245	1,602,841
Dividends	**(1,361,000)**	(1,391,000)
Fonds d'aide à l'action communautaire autonome (Note 7)		
Assistance for independent community action	**(13,379)**	(13,126)
Assistance for international humanitarian action	**(2,676)**	(2,625)
Contributions to the Government of Québec (Note 8)	**(59,889)**	(61,008)
	(1,436,944)	(1,467,759)
Balance, end of year	**134,301**	135,082

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at March 31, 2008
(in thousands of dollars)

	2008	2007
Assets		
Current assets		
Cash on hand – casinos	**54,048**	52,683
Cash	**13,684**	19,783
Accounts receivable (Note 9)	**81,069**	81,633
Inventories (Note 10)	**8,147**	10,729
Prepaid expenses	**30,040**	26,876
	186,988	191,704
Investments (Note 11)	**153,672**	145,327
Property, plant and equipment (Note 12)	**684,500**	669,359
Intangible assets (Note 13)	**79,339**	70,571
Deferred charges	**–**	654
	1,104,499	1,077,615
Liabilities		
Current liabilities		
Bank loans (Note 14)	**447,800**	617,815
Prizes to winners	**62,296**	58,307
Accounts payable and accrued charges (Note 15)	**427,702**	234,661
Provisions related to prizes (Note 16)	**12,383**	14,818
Deferred revenues	**19,847**	16,762
	970,028	942,363
Shareholder's equity		
Share capital authorized, issued and paid:		
1,700 shares of a par value of $100 each	**170**	170
Retained earnings	**134,301**	135,082
	134,471	135,252
	1,104,499	1,077,615

Commitments (Note 17)

The accompanying notes are an integral part of the consolidated financial statements.

Approved by the board of directors

Solange Dugas

Solange Dugas
Chairwoman of the Board

Paule Bouchard

Paule Bouchard
Chairwoman of the Audit Committee

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended March 31, 2008

(in thousands of dollars)

	2008	2007
Operating activities		
Net earnings	**1,436,163**	1,468,065
Items not affecting cash:		
Depreciation and amortization of property, plant and equipment and intangible assets	**94,322**	92,299
Loss on disposal of property, plant and equipment and intangible assets	**3,227**	6,733
Write-off of deferred expenses	**654**	–
Net contribution to Manoir Richelieu, Limited Partnership	**7,449**	7,524
Share in a company subject to significant influence, JOAGROUPE Holding	**(479)**	(1,017)
Interest revenue on long-term investment, JOAGROUPE Holding	**(7,634)**	(7,104)
Unrealized exchange gain, JOAGROUPE Holding	**(6,038)**	(8,066)
Changes in non-cash operating working capital items (Note 19)	**32,725**	(14,062)
Cash flows from operating activities	**1,560,389**	1,544,372
Financing activities		
Dividends paid	**(1,196,000)**	(1,331,000)
Bank loans	**(170,015)**	31,237
Contributions to the Government of Québec	**(59,889)**	(61,008)
Fonds d'aide à l'action communautaire autonome (Note 7)		
Assistance for independent community action	**(13,379)**	(13,126)
Assistance for international humanitarian action	**(2,676)**	(2,625)
Cash flows used in financing activities	**(1,441,959)**	(1,376,522)
Investing activities		
Acquisitions of property, plant and equipment (Note 19)	**(94,594)**	(114,811)
Acquisitions of intangible assets (Note 19)	**(17,843)**	(11,555)
Acquisitions of deferred charges	**–**	(654)
Proceeds from disposal of property, plant and equipment and intangible assets	**155**	2,341
Acquisition of investments	**–**	(3,906)
Investment in Manoir Richelieu, Limited Partnership	**(17,450)**	–
Distribution of Manoir Richelieu, Limited Partnership	**6,568**	–
Cash flows used in investing activities	**(123,164)**	(128,585)
Net changes in cash and cash equivalents	**(4,734)**	39,265
Cash and cash equivalents, beginning of year	**72,466**	33,201
Cash and cash equivalents, end of year (Note 19)	**67,732**	72,466

The accompanying notes are an integral part of the consolidated financial statements.

1 INCORPORATION AND ACTIVITIES

The Société des loteries du Québec (the Corporation), designated under the name Loto-Québec, is a joint-stock company whose shares are part of the public domain and are attributed to Finance Québec. Under *An Act respecting the Société des loteries du Québec* (R.S.Q., chapter S-13.1), the functions of the Corporation are to conduct and administer lottery schemes and to operate businesses which are incidental to the operation of a State casino. The Corporation may also offer, for consideration, consulting and implementation services in matters within its competence. Under the *Income Tax Act*, (R.S.Q. (1985), Ch. 1 (5th supplement)) and the *Taxation Act* (R.S.Q., Ch. I-3), the Corporation is exempt from income taxes.

2 ACCOUNTING POLICIES

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's best estimates.

Consolidation

The consolidated financial statements include the accounts of the Corporation and those of its wholly owned subsidiaries as follows:

- Lotim inc.[1]
- La Société des casinos du Québec inc.
- Casiloc inc.
- La Société des loteries vidéo du Québec inc.
- La Société des salons de jeux du Québec inc.
- Ingenio, filiale de Loto-Québec inc.
- La Société des bingos du Québec inc.
- World Gaming Consultants, inc.
- 9059-3849 Québec inc.
- Casino Mundial inc.
- Casino Capital 2006 inc.
- Technologies Nter, société en commandite
- Technologies Nter inc.

The investments in Manoir Richelieu, Limited Partnership, 9064-1812 Québec inc., General Partner and JOAGROUPE Holding[2] are recorded using the equity method.

1 Based on the audited financial statements as at December 31, 2007 and adjusted with the unaudited interim results as at March 31, 2008.

2 Change of name: as of March 10, 2008, the corporation formerly known as "Molitor Loisirs Development" is now named "JOAGROUPE Holding."

ACCOUNTING POLICIES (cont'd)

Revenues

Lotteries

Revenues from the sale of lottery tickets and bingo cards are recorded on the date of the draw, with the exception of instant lottery ticket sales, which are recorded at the time of sale.

Lottery tickets sold as at March 31 for draws subsequent to that date, with the exception of instant lotteries, are recorded as deferred revenues. Retailers' commissions as a result of these sales are carried to prepaid expenses.

Casinos and video lotteries

Revenues from the operations of these business segments correspond to the difference between the lottery pools and the prizes awarded.

Restaurants and lodging

Revenues are recognized when services are rendered to customers, when the selling price is fixed or determinable and collection is reasonably assured.

Multimedia

Revenues consist primarily of royalties. These royalties are recognized as they are earned in accordance with the contractual agreements specific to each of the agreements signed with the various business partners.

Other revenues are recognized when the significant risks and rewards of ownership have been transferred to the buyer or when the services have been rendered to customers. The selling price must be fixed or determinable and collection reasonably assured.

International

These revenues stem from the provision of services related to the operations of JOAGROUPE Holding, services that draw on the Corporation's experience and know-how in casino-related areas as well as in the hotel, restaurant, and entertainment business.

The provision of services covers the salary of one director assigned to the external growth of JOAGROUPE Holding, including travel, lodging and living expenses.

A second provision of services represents the fees equal to the number of hours devoted by the Corporation's other employees multiplied by the hourly rate agreed to by the parties as well as travel and lodging expenses.

ACCOUNTING POLICIES (cont'd)

Cost of sales

Lotteries and bingo

Prizes awarded from ticket sales related to bingo products are determined using a theoretical rate applied to sales.

In addition to lottery prizes payable in cash or merchandise, the Corporation also awards free tickets. The value of these prizes is equal to the selling price and is included in revenue sales and prizes awarded as expenses.

Casinos

Promotional discounts correspond to the cash amounts paid to casino players.

Commodity taxes

Taxes paid on products and services acquired and attributable to gaming activities are not recoverable by the Corporation. These taxes are recorded as part of the cost of the item to which they relate.

Furthermore, rather than collecting the Québec Sales Tax (QST) and Goods and Services Tax (GST) on revenues generated by gaming activities, the Corporation pays the taxes normally payable by the consumer and absorbs the cost. These taxes are presented separately in the consolidated statement of earnings.

Net taxes attributable to gaming activities therefore represent approximately 30% of the bulk of taxable gaming expenses, while those related to non-gaming activities are calculated in the same way as those for other entities subject to commodity taxes.

Pension plans

Defined contribution plan accounting is applied to a multiemployer governmental defined benefit plan because Loto-Québec has insufficient information to apply defined benefit plan accounting.

Financial instruments

Categories of financial instruments

Assets and liabilities held for trading include cash and cash equivalents as well as the foreign exchange contract. Also, the Company has designated the following financial assets and liabilities as held for trading: accounts receivable, bank loans, prizes to winners and accounts payable and accrued charges.

The Corporation has classified loans to JOAGROUPE Holding and Manoir Richelieu, Limited Partnership in the loans and receivables category.

ACCOUNTING POLICIES (cont'd)

Fair value

Fair value is the amount of the consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair value of short-term financial instruments is equal to their carrying value due to their short-term maturity.

The fair value of the loans to JOAGROUPE Holding and Manoir Richelieu, Limited Partnership of the the carrying value is $114.9M ($101.2M in 2007) and $2.5M ($2.5M in 2007), respectively, cannot be determined since the conditions related to these loans result from transactions carried out between related companies, and, consequently, on terms and conditions that may differ from those that would be negotiated with non-related companies.

Initial measurement

The financial instruments are recognized at fair value at the transaction date.

Subsequent measurement

Financial assets and financial liabilities held for trading are valued at their fair value and, if applicable, the gains and losses that would result from their revaluation at fair value would be recognized in net earnings.

Loans and receivables are valued at cost.

Comprehensive income

During the year, the Corporation did not carry out any transactions that had an impact on comprehensive income and no opening or closing balance of accumulated comprehensive income was presented.

Inventories

Lotteries and video lotteries

Inventories are comprised of modules for game terminals and video lottery terminals and are valued at the lower of cost or market (cost being the replacement cost). Cost is determined using the average cost method.

Restaurants

Inventories are valued at the lower of cost or market (cost being the net realizable value or replacement cost). The cost of food and beverages is established based on the average cost.

ACCOUNTING POLICIES (cont'd)

Property, plant and equipment

Property, plant and equipment are presented at cost and with the exception of works of art, are depreciated or amortized over their estimated useful lives using the straight-line method at the following annual rates:

Buildings	2% to 14.29%
Improvements to parking lots	2.5% to 14.29%
Improvements to rented parking lots	2.86% and 6.67%
Interior design	2.5% to 20%
Landscaping	2.5% to 14.29%
Leasehold improvements	10% to 20%
Office furniture	10% and 20%
Automotive equipment	30%
Equipment	10% to 33.3%

Unused equipment is not depreciated.

The Corporation assesses the carrying value of its property, plant and equipment on an ongoing basis. In order to determine if there is an impairment, management assesses the estimated undiscounted cash flows that will be generated by this property, plant and equipment. Any permanent impairment in value is charged to earnings in the period during which the impairment occurred.

Intangible assets

Intangible assets are comprised of software and computer development. They are presented at cost and amortized over their estimated useful lives using the straight-line method at rates varying from 10% to 33.3%. They are tested for impairment if changes in circumstances indicate that their carrying value would not be recoverable. Any excess of the carrying value over the fair value is charged to earnings for the period during which the impairment was identified.

Computer projects under development will be amortized upon completion of the development phase and once the projects have been implemented.

Foreign currency translation

Monetary assets and liabilities are translated at the exchange rate in effect at the balance sheet date. Non-monetary assets and liabilities are translated at historical exchange rates, and revenue and expense items are translated at the exchange rate prevailing at the date of the transaction. All exchange gains and losses are included in earnings for the year.

Cash and cash equivalents

The Corporation's policy consists of presenting the following as cash and cash equivalents: cash on hand at casinos, bank balances and short-term investments that are readily convertible into known amounts of cash and present an insignificant risk of change in value.

3 a) CHANGES IN ACCOUNTING POLICIES

On April 1, 2007, the Corporation adopted the new recommendations of the Canadian Institute of Chartered Accountants regarding recognition, measurement and presentation of financial instruments following the publication of Section 3855 "*Financial Instruments – Recognition and Measurement,*" Section 3861, "*Financial Instruments – Disclosure and Presentation*" and Section 1530 "*Comprehensive Income.*" The adoption of these new standards did not have an impact on the financial statements as at March 31, 2008.

During the year ended March 31, 2008, the Corporation did not carry out any transactions that had an impact on comprehensive income and no opening or closing balance for accumulated comprehensive income was presented.

b) FUTURE CHANGES IN ACCOUNTING POLICIES

During the forthcoming year, the Corporation will adopt the CICA's recommendations with respect to the following new Sections: Section 1535 "*Capital Disclosures,*" Section 3862 "*Financial Instruments – Disclosures,*" Section 3863 – "*Financial Instruments – Presentation,*" Section 3031 – "*Inventories.*"

The purpose of Section 1535 is to provide qualitative and quantitative information on objectives, policies and processes for managing the Corporation's capital. Section 3862 establishes new standards on disclosures for financial instruments, while Section 3863 carries forward the presentation related standards of Section 3861, "*Financial Instruments – Disclosure and Presentation.*" Section 3031 prescribes the accounting treatment for inventories, primarily the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value.

Furthermore, the CICA also published Section 3064, "*Goodwill and Intangible assets*" that replaces Section 3062 "*Goodwill and Other Intangible Assets*" and Section 3450 "*Research and Development Costs.*" This new Section establishes new recognition, measurement and disclosure standards applicable to goodwill and intangible assets including intangible assets developed internally. This Section will apply to financial statements relating to fiscal years beginning on or after October 1, 2008.

Consequently, the Corporation should adopt these standards for the year ending March 31, 2010.

The adoption of these new accounting standards will not have a significant impact on the Corporation's financial statements, as they primarily relate to disclosures.

4 COST OF SALES

(in thousands of dollars)	2008	2007
Lotteries		
Prizes awarded	**1,031,365**	964,941
Commissions to retailers	**130,028**	124,004
Printing of tickets	**36,097**	32,507
	1,197,490	1,121,452
Casinos, restaurants, lodging		
Promotional discounts	**23,153**	21,821
Restaurants	**27,556**	27,248
	50,709	49,069
Video lotteries		
Commissions to retailers	**229,323**	241,542
Printing of coupons	**1,424**	1,121
	230,747	242,663
Bingo		
Prizes awarded	**19,187**	18,010
Commissions to operators	**2,499**	2,387
Printing of cards	**1,570**	1,107
	23,256	21,504
	1,502,202	1,434,688

5 INTEREST – NET

(in thousands of dollars)	2008	2007
Interest charges on bank loans	**20,115**	22,950
Interest revenue on term deposits	**(863)**	(870)
Interest revenue on long-term investment, JOAGROUPE Holding	**(7,634)**	(7,104)
	11,618	14,976

6 SPECIAL PAYMENTS

(in thousands of dollars)	2008	2007
Compensation to the Government of Canada	**15,003**	14,946
Net contribution to Manoir Richelieu, Limited Partnership	**7,449**	7,524
Guaranteed payments – gaming halls	**1,350**	–
Special commissions to NPOs	**1,101**	1,040
Compensation to participating NPOs	**7,971**	7,785
Compensation to non-participating NPOs	**677**	713
	33,551	32,008

Compensation to the Government of Canada

Following an agreement reached between provincial governments and the Government of Canada regarding the federal government's withdrawal from the administration of lotteries, the provinces pay the federal government an annual amount of $24M (equivalent value in 1979), i.e., $63.7M for the year ended March 31, 2008 ($63.0M in 2007).

The Government of Québec's share is payable by the Corporation in accordance with the agreement reached between the provinces and the regional lottery corporations.

Net contribution to Manoir Richelieu, Limited Partnership

Pursuant to a guarantee agreement, and according to the distribution terms and conditions specified in the partnership agreement, the net contribution amount represents the minimum portion of cash generated by the operations of the Casino de Charlevoix payable to the partners, while taking into account the Corporation's share of the earnings generated by Manoir Richelieu.

Guaranteed payments – gaming halls

Under the agreement to pay guaranteed payments, these guaranteed payments equal 22% of the net revenues from 535 video lottery terminals located in two gaming halls related to the hippodromes of Trois-Rivières and Québec City.

Guaranteed payments are made by a subsidiary of the Corporation that acts as an agent of the Government of Québec.

Special commissions to non-profit organizations (NPOs)

Further to the shareholder's decision, a commission equal to the discount provided to retailers is paid to non-profit organizations that sell lottery tickets through the *Lotomatique* subscription system.

SPECIAL PAYMENTS (cont'd)

Compensation to non-profit organizations (NPOs)

Participating NPOs

La Société des bingos du Québec inc. awards the following to charitable or religious organizations that hold bingo licences: an amount equal to 36.4% of bingo ticket sales less the value of prizes awarded to game winners or 50% of net earnings generated, without taking into account compensation to non-participating NPOs, whichever is higher.

Non-participating NPOs

La Société des bingos du Québec Inc. awards an amount equal to 5.45% of pari mutuel ticket sales generated by *Le Grand Tour* less the value of prizes paid to game winners to charitable or religious organizations that hold bingo licences but do not participate in the Corporation's bingo games.

7 FONDS D'AIDE À L'ACTION COMMUNAUTAIRE AUTONOME

The Corporation makes annual contributions to the Fonds that are equal to 6% of the net earnings of the previous year through the operations of its State-run casinos and management of its businesses.

Under its act of incorporation, these amounts are attributed at 5% to the Assistance for independent community action and 1% to the Assistance for international humanitarian action.

8 CONTRIBUTIONS TO THE GOVERNMENT OF QUÉBEC

(in thousands of dollars)	2008	2007
Ministère de l'Agriculture, des Pêcheries et de l'Alimentation (MAPAQ)	4,000	5,500
Ministère de la Santé et des Services sociaux	52,000	52,000
Ministère de la Sécurité publique	3,889	3,508
	59,889	61,008

9 ACCOUNTS RECEIVABLE

(in thousands of dollars)	2008	2007
Wholesalers	35,447	33,780
Retailers	21,553	26,317
Miscellaneous	24,069	21,536
	81,069	81,633

10 INVENTORIES

(in thousands of dollars)	2008	2007
Lotteries		
Modules – game terminals	**95**	1,328
Video lotteries		
Modules – video lottery terminals	**2,458**	3,761
Restaurants		
Food and beverages	**5,594**	5,640
	8,147	10,729

11 INVESTMENTS

(in thousands of dollars)	2008	2007
JOAGROUPE Holding and its wholly owned subsidiaries		
Shares – 35% interest	**6,299**	5,820
Loans in Euro, fixed rate of 8%, principal and interest, cashable on May 31, 2016	**114,919**	101,246
	121,218	107,066
Manoir Richelieu, Limited Partnership and 9064-1812 Québec inc., General Partner, interest equal to 50% of the operations of Manoir Richelieu and Casino de Charlevoix	**29,946**	35,753
Manoir Richelieu, Limited Partnership		
Loan, without term of repayment, bearing interest at a fixed rate of 5%, payable annually	**2,508**	2,508
	153,672	145,327

12 PROPERTY, PLANT AND EQUIPMENT

(in thousands of dollars)			2008	2007
	Cost	Depreciation and Amortization Accumulated	Net	Net
Land	42,339	–	42,339	41,238
Buildings	371,166	112,141	259,025	240,831
Improvements to parking lots	130,449	73,305	57,144	62,144
Improvements to rented parking lots	5,271	3,324	1,947	2,223
Interior design	201,038	102,115	98,923	83,355
Landscaping	34,903	23,276	11,627	9,924
Leasehold improvements	37,595	31,048	6,547	8,810
Office furniture	32,191	22,946	9,245	8,665
Automotive equipment	1,077	875	202	174
Equipment	573,310	410,193	163,117	190,150
Works of art	5,714	–	5,714	5,366
Unused property, plant and equipment	28,670	–	28,670	16,479
	1,463,723	779,223	684,500	669,359

Unused property, plant and equipment consists of unused equipment in the amount of $7.7M ($6.6M in 2007), buildings undergoing renovations in the amount of $8.0M ($1.9M in 2007) as well as costs to implement the Casino de Mont-Tremblant currently underway in the amount of $12.3M ($1.1M in 2007) and gaming halls in the amount of $0.7M ($6.9M in 2007).

Property, plant and equipment retired at a cost of $15.4M ($13.2M in 2007), amortized in full as at March 31, 2008, are included in equipment.

13 INTANGIBLE ASSETS

(in thousands of dollars)	Cost	Depreciation and Amortization Accumulated	2008 Net	2007 Net
Software and computer development	**114,746**	**50,345**	**64,401**	59,735
Computer projects under development	**14,938**	**–**	**14,938**	10,836
	129,684	**50,345**	**79,339**	70,571

14 BANK LOANS

The Corporation is authorized by the Government of Québec for short-term borrowing up to a maximum amount of $575M from financial institutions or the Minister of Finance, as manager of the financing fund, and in the long term up to a maximum of $1B from the same fund.

Despite the above, the total amount of the Corporation's short – and long-term borrowings cannot at any time exceed a total amount of $1.3B ($700M in 2007).

Bank loans with a term of less than one year total $447.8M ($617.8M in 2007) and bear interest at the market rate, which is 3.46% to 4.74% (4.32% to 4.39% in 2007).

15 ACCOUNTS PAYABLE AND ACCRUED CHARGES

(in thousands of dollars)	2008	2007
Trade accounts payable and accrued charges	**181,317**	142,392
Dividends	**231,000**	66,000
Manoir Richelieu, Limited Partnership	**6,517**	15,756
Goods and Services Tax	**3,327**	4,480
Québec Sales Tax	**5,541**	6,033
	427,702	234,661

16 PROVISIONS RELATED TO PRIZES

(in thousands of dollars)	2008	2007
Provision for unclaimed prizes	**12,026**	14,305
Provision for differences in prize structures	**357**	513
	12,383	14,818

The provision for unclaimed prizes is comprised of unclaimed prizes of all the Corporation's products, excluding Canada-wide games. This amount is used as payments for bonuses and prizes to retailers.

The provision for differences in prize structures related to products in the bingo segment is comprised of differences between the theoretical amounts of the prizes to be awarded under the prize structure and the actual amounts payable. The amounts of this provision are mainly used to offset occasional shortfalls arising from prize structures that exceed the forecast amounts. Furthermore, this provision may, following the approval of the Board of Directors, be used to award bonus prizes or for discharging any possible claims associated with the games, or it may be included in earnings.

17 COMMITMENTS

Leases

The Corporation is committed under long-term leases expiring on various dates through May 2035 for the rental of administrative offices and land. In certain cases, these leases carry an implied two-to five-year renewal option up to a maximum term of 60 years.

Future minimum payments, in thousands of dollars, are as follows:

2009	19,956
2010	18,709
2011	17,143
2012	11,146
2013	8,596
2014 and thereafter	23,402
	98,952

COMMITMENTS (cont'd)

Network of direct lotteries

In June 2006, the Government of Québec authorized the Corporation, through one of its subsidiaries, to replace its lottery game terminals for a maximum amount of $95.5M, of which $4.2M was recorded as at March 31, 2008 ($2.8M in 2007). On this date, contractual commitments related to this project amounted to $53.1M ($41.6M in 2007).

Casinos

Mont-Tremblant

The Corporation established a total budget of $61M for implementing the Casino de Mont-Tremblant, which is scheduled to open in summer 2009. As at March 31, 2008, $13.2M was recorded ($1.7M in 2007) and commitments at this date totalled $3.9M ($5.3M in 2007).

In November 2006, the Government of Québec authorized the Corporation, through one of its other subsidiaries, to enter into a services agreement with the Mont-Tremblant Ski Resort, Limited Partnership, for an indefinite period, providing for the payment of its portion of miscellaneous services such as transportation, marketing and shared costs. At the time of opening, minimum annual payments under the services agreement will total $1.7M. Some of these payments are subject to renegotiation based on the opening date.

Agreement to pay guaranteed payments – gaming halls

The Government of Québec has authorized the Corporation, through one of its subsidiaries, to enter into an agreement for guaranteed payments with four limited partnerships.

This agreement provides for a payment for a 15-year period of 22% of the net revenues from 1,900 video lottery terminals located in three gaming halls related to the hippodromes of Trois-Rivières, Québec City and northern "crown" of Montréal and the Aylmer Hippodrome. A renewal option for an additional ten years provides for the payment of a percentage of the net revenues from these 1,900 video lottery terminals that will be equal to the amount payable during the same period to the operators of the video lottery terminals located in bars, brasseries and taverns.

The payment of these amounts is conditional on the limited partnerships respecting their commitments under this agreement for guaranteed payments and those under the asset-sales and commitment agreement of August 17, 2006 related to the race horse industry as well as those under the regulations applicable to video lotteries.

The Corporation is not in a position at this time to evaluate the total amount of this commitment.

COMMITMENTS (cont'd)

Contributions to the Government of Québec

Ministère de l'Agriculture, des Pêcheries et de l'Alimentation (MAPAQ)

Following the repeal of fairground casinos, the Government authorized Loto-Québec to conclude an agreement with the MAPAQ, as of fiscal year 2008-09, related to a financial contribution payment into a specified purpose account for a period of five years until the year ended March 31, 2013. At the time the financial statements were signed, the agreement between the parties had not been concluded.

Ministère de la Santé et des Services sociaux

With the authorization of the Government of Québec, the Corporation is committed to make an annual contribution of $22.0M to the Ministère de la Santé et des Services sociaux (MSSS) into a specified purpose account to finance prevention measures, treatment services and research programs and information campaigns to help compulsive gamblers.

Furthermore, the Corporation is also committed to the MSSS to make an annual contribution of $30.0M into a specified purpose account to finance assistance and support services for the elderly who are no longer autonomous but live on their own or in residential homes.

The Corporation is not in a position to assess the total amount of these commitments.

Ministère de la Sécurité publique

With the authorization of the Government of Québec, the Corporation is committed to the Ministère de la Sécurité publique to make an annual contribution of $3.0M into a specified purpose account to finance activities and intensive control measures implemented by the Régie des alcools, des courses et des jeux in order to specifically ensure the management of control measures regarding access to video lottery terminals. The Corporation is not in a position to assess the total amount of this commitment.

Furthermore, the Corporation is also committed to the same Québec Government department to make an annual contribution of approximately $0.9M into a specified purpose account indexed annually according to the consumer price index and to do so for a five-year period ending March 31, 2012 for purposes of financing additional resources that would allow for a reduction of the certification periods of game terminals operated by the Corporation.

18 FINANCIAL INSTRUMENTS

Credit risk

Management estimates that the Corporation is not exposed to any significant credit risk. Cash on hand – casinos includes the casinos' cash inventory. Accounts receivable are primarily from operations concluded with a significant number of wholesalers and retailers.

Risk management policy

The Corporation has control and management policies and procedures in place that ensure proper management of inherent risks to financial instruments.

Exchange risk

The Corporation has investment loans denominated in Euro in JOAGROUPE Holding, with a carrying value of $114.9M as at March 31, 2008. On May 30, 2007, the Corporation signed a foreign exchange contract denominated in Euro of an amount of $102M (70.5M€) that expired on March 31, 2008 to protect itself against any future changes in the exchange rate with respect to this investment. Similar protection expiring on March 31, 2009 was renewed for an amount of $124M (78.5M€). The fair value of the foreign exchange contract as at March 31, 2008 is nil, as it was entered into on that date.

Furthermore, the Corporation carries out other transactions in foreign currencies. It does not hold or issue financial instruments as a way to manage the exchange risk to which it is exposed to through these transactions. However, this risk does not have a significant impact on the Corporation's earnings or financial position.

19 CONSOLIDATED CASH FLOWS

(in thousands of dollars)	2008	2007
Cash and cash equivalents, end of year		
Cash on hand – casinos	**54,048**	52,683
Cash	**13,684**	19,783
	67,732	72,466
Changes in non-cash operating working capital items		
Accounts receivable	**564**	(9,163)
Inventories	**2,582**	2,022
Prepaid expenses	**(3,842)**	1,632
Prizes to winners	**3,989**	(11,987)
Accounts payable and accrued charges	**28,782**	2,747
Provisions related to prizes	**(2,435)**	3,059
Deferred revenue	**3,085**	(2,372)
	32,725	(14,062)
Acquisitions of property, plant and equipment	**(94,957)**	(112,464)
Less: prepaid expenses transferred to property, plant and equipment	**363**	(2,347)
	(94,594)	(114,811)
Acquisitions of intangible assets	**(18,158)**	(11,714)
Less: prepaid expenses transferred to intangible assets	**315**	159
	(17,843)	(11,555)
Additional information		
Interest paid	**19,201**	22,143

The "accounts payable and accrued charges" item includes acquisitions of property, plant and equipment and intangible assets amounting to $21.5M and $4.6M, respectively ($13.4M and $4.2M in 2007).

20 PENSION PLAN

Employees of the parent company, La Société des loteries vidéo du Québec inc., La Société des salons de jeux du Québec inc., La Société des bingos du Québec inc. and Ingenio, filiale de Loto-Québec inc. participate in the Régime de retraite des employés du gouvernement et des organismes publics (RREGOP), the Régime de retraite des fonctionnaires (RRF) or the Régime de retraite du personnel d'encadrement (RRPE). These are defined benefit plans and include guarantees upon retirement or death. Contributions charged to consolidated earnings for the year for these multiemployer plans totalled $4.7M ($3.6M in 2007). The employer's obligations toward these government plans are limited to its contributions as an employer.

As at January 1, 2008, the Corporation's contribution rate to RREGOP went from 7.06% to 8.19% of the contributory payroll and that of the RRPE went from 7.78% to 10.54%. The RRF rate remained at 7.25%.

Employees of La Société des casinos du Québec inc. participate in a defined contribution plan. Employees of Technologies Nter, société en commandite participate in a group RRSP. These defined contribution plans are voluntary and provide employees with immediate vesting of the employer's contribution, which is equal to the employee's contribution within the limits prescribed under the plans. Contributions charged to consolidated earnings for the year for these plans totalled $10.0M ($9.9M in 2007).

21 RELATED PARTY TRANSACTIONS

In addition to the related party transactions already disclosed and recorded at the exchange amount, the Corporation is related to all Government of Québec departments and special funds, as well as agencies and enterprises directly or indirectly controlled by the Government of Québec, or subject to either joint control or significant joint influence on the part of the Government of Québec. With the exception of the aforementioned transactions, the Corporation has not concluded any business transactions with these related parties other than within the normal course of business and usual business terms and conditions. These transactions have not been disclosed separately in the financial statements.

22 TRANSFER OF ACTIVITIES

On April 1, 2008, the rights and obligations as well as the staff of the Société des salons de jeux du Québec inc. were transferred to the Société des loteries video du Québec inc.

23 COMPARATIVE FIGURES

Certain prior year figures of 2007 have been reclassified to conform to the current year's presentation in 2008.

24 SEGMENTED INFORMATION

(in thousands of dollars)

Business segments	Lotteries	Casinos/ Restaurants/ Lodging	Video Lotteries	Bingo	Multimedia	International	Elimination of intercompany transactions	2008 Consolidated figures
Revenues								
Games	1,910,120	790,446	1,048,486	41,068	626	–	(190)	3,790,556
Restaurants	–	87,067	–	–	–	–	(46,017)	41,050
Lodging	–	17,104	–	–	–	–	–	17,104
Provision of services	–	–	–	–	–	1,467	–	1,467
	1,910,120	894,617	1,048,486	41,068	626	1,467	(46,207)	3,850,177
Cost of sales								
Games	1,197,625	23,153	230,747	23,256	–	–	(135)	1,474,646
Restaurants	–	27,556	–	–	–	–	–	27,556
	1,197,625	50,709	230,747	23,256	–	–	(135)	1,502,202
Gross margin	712,495	843,908	817,739	17,812	626	1,467	(46,072)	2,347,975
Operating expenses								
Operating costs	160,275	472,130	71,904	6,006	5,389	933	(46,072)	670,565
Dep. & Amort. of property, plant and equipment	10,320	46,515	27,477	169	44	–	–	84,525
Amortization of intangible assets	6,134	2,841	749	72	1	–	–	9,797
Interest – net	6,651	4,775	7,856	(14)	(9)	(7,641)	–	11,618
	183,380	526,261	107,986	6,233	5,425	(6,708)	(46,072)	776,505
Earnings (loss) before the undernoted:	529,115	317,647	709,753	11,579	(4,799)	8,175	–	1,571,470
Special payments	16,104	7,449	1,350	8,648	–	–	–	33,551
Goods and Services Tax	15,800	7,906	16,919	400	–	–	–	41,025
Québec Sales Tax	21,727	10,758	23,199	546	–	–	–	56,230
Exchange loss – JOAGROUPE Holding	–	–	–	–	–	4,980	–	4,980
Share in a company subject to significant influence								
JOAGROUPE Holding	–	–	–	–	–	(479)	–	(479)
	53,631	26,113	41,468	9,594	–	4,501	–	135,307
Net earnings (loss)	475,484	291,534	668,285	1,985	(4,799)	3,674	–	1,436,163

Expenses are assumed by the Corporation's corporate management team. Certain operating costs and related commodity taxes, attributable directly to the segments, are allocated based on their use. Other expenses are allocated based on the net revenues of the primary business segments.

SEGMENTED INFORMATION (cont'd)

(in thousands of dollars)

Business segments	Lotteries	Casinos/ Restaurants/ Lodging	Video Lotteries	Bingo	Multimedia	International	Elimination of intercompany transactions	2007 Consolidated figures
Revenues								
Games	1,842,432	758,224	1,097,917	39,370	1,062	–	(112)	3,738,893
Restaurants	–	87,786	–	–	–	–	(45,800)	41,986
Lodging	–	16,214	–	–	–	–	–	16,214
Provision of services	–	–	–	–	–	1,739	–	1,739
	1,842,432	862,224	1,097,917	39,370	1,062	1,739	(45,912)	3,798,832
Cost of sales								
Games	1,121,552	21,821	242,663	21,504	–	–	(100)	1,407,440
Restaurants	–	27,248	–	–	–	–	–	27,248
	1,121,552	49,069	242,663	21,504	–	–	(100)	1,434,688
Gross margin	720,880	813,155	855,254	17,866	1,062	1,739	(45,812)	2,364,144
Operating expenses								
Operating costs	153,534	479,923	65,635	5,498	6,216	998	(45,812)	665,992
Dep. & Amort. of property, plant and equipment	11,401	44,325	24,799	171	46	–	–	80,742
Amortization of intangible assets	6,812	3,060	1,316	366	3	–	–	11,557
Interest – net	7,510	5,295	9,320	(16)	(14)	(7,119)	–	14,976
	179,257	532,603	101,070	6,019	6,251	(6,121)	(45,812)	773,267
Earnings (loss) before the undernoted:	541,623	280,552	754,184	11,847	(5,189)	7,860	–	1,590,877
Special payments	15,986	7,524	–	8,498	–	–	–	32,008
Goods and Services Tax	16,267	8,290	19,112	404	–	–	–	44,073
Québec Sales Tax	20,577	10,497	24,229	511	–	–	–	55,814
Exchange gain – JOAGROUPE Holding	–	–	–	–	–	(8,066)	–	(8,066)
Share in a company subject to significant influence JOAGROUPE Holding	–	–	–	–	–	(1,017)	–	(1,017)
	52,830	26,311	43,341	9,413	–	(9,083)	–	122,812
Net earnings (loss)	488,793	254,241	710,843	2,434	(5,189)	16,943	–	1,468,065

Expenses are assumed by the Corporation's corporate management team. Certain operating costs and related commodity taxes, attributable directly to the segments, are allocated based on their use. Other expenses are allocated based on the net revenues of the primary business segments.

Comparative Results

of the fiscal year ended March 31
(in thousands of dollars)

	2008	2007	2006	2005	2004
Consolidated Earnings					
Revenues	3,850,177	3,798,832	4,016,030	3,937,464	3,760,743
Cost of Sales					
Lotteries					
Prizes awarded	1,031,365	964,941	966,350	964,397	962,692
Commissions to retailers	130,028	124,004	126,919	126,745	123,595
Printing of tickets	36,097	32,507	31,640	32,486	35,862
Lotteries Subtotal	1,197,490	1,121,452	1,124,909	1,123,628	1,122,149
Casinos	23,153	21,821	23,154	19,137	19,577
Restaurants	27,556	27,248	26,992	26,227	24,207
Video Lotteries					
Commissions to retailers	229,323	241,542	285,738	272,115	276,842
Printing of coupons	1,424	1,121	1,312	1,050	1,132
Video Lotteries Subtotal	230,747	242,663	287,050	273,165	277,974
Bingo					
Prizes awarded	19,187	18,010	18,294	16,574	16,734
Commissions to operators	2,499	2,387	2,297	2,082	2,091
Printing of cards	1,570	1,107	825	776	731
Bingo Subtotal	23,256	21,504	21,416	19,432	19,556
Total	1,502,202	1,434,688	1,483,521	1,461,589	1,463,463
Gross Margin	2,347,975	2,364,144	2,532,509	2,475,875	2,297,280
Operating Expenses					
Lotteries	160,272	153,534	154,143	146,298	136,028
Casinos/Restaurants/Lodging	426,113	434,123	438,778	431,758	406,067
Video Lotteries	71,904	65,635	63,044	69,368	49,605
Bingo	5,969	5,486	5,562	5,512	5,580
Multimedia	5,389	6,216	6,092	6,108	5,905
International	918	998	1,010	–	–
Depreciation of fixed assets *	–	–	–	–	80,150
Dep. & Amort. of property, plant and equipment	84,525	80,742	84,754	80,556	–
Amortization of intangible assets	9,797	11,557	9,920	5,521	–
Amortization of deferred charges	–	–	–	1,028	2,050
Interest – Net	11,618	14,976	11,473	9,733	12,177
	776,505	773,267	774,776	755,882	697,562
Earnings Before the Undernoted	1,571,470	1,590,877	1,757,733	1,719,993	1,599,718
Special payments	33,551	32,008	32,459	29,079	28,165
Share in a company subject to significant influence JOA Groupe Holding	(479)	(1,017)	–	–	–
Loss (gain) on exchange JOA Groupe Holding	4,980	(8,066)	(145)	–	–
Goods and Services Tax	41,025	44,073	51,964	50,234	49,553
Québec Sales Tax	56,230	55,814	59,512	57,547	56,750
	135,307	122,812	143,790	136,860	134,468
Net Earnings	1,436,163	1,468,065	1,613,943	1,583,133	1,465,250

* Since March 31, 2005, the depreciation of fixed assets is differentiated in terms of both tangible assets and intangible assets.

CODE OF ETHICS AND RULES OF PROFESSIONAL CONDUCT

FOR DIRECTORS AND MANAGERS OF LOTO-QUÉBEC AND ITS SUBSIDIARIES

PREAMBLE

Whereas the members of the Board of Directors are required to have a code of ethics and rules of professional conduct that respects the principles and rules prescribed by the *Regulation Respecting the Ethics and Professional Conduct of Public Office Holders* (hereinafter referred to as the "Regulation") adopted in accordance with the *Act Respecting the Ministère du Conseil exécutif* (R.S.Q. c. M-30, a. 3.01 and 3.02; 1997, c.6, a. 1) (hereinafter referred to as the "Act");

Whereas the Act and the *Regulation* prescribe certain ethical principles and rules of professional conduct that apply to Directors;

Whereas the members of the Board of Directors wish to provide the Corporation with its own Code of Ethics and Rules of Professional Conduct;

The members of the Board of Directors have adopted the following *Code of Ethics and Rules of Professional Conduct*.

1. DEFINITIONS

In the present Code, unless a different meaning is indicated by context, the terms below are defined as follows:

a) "*Act*" designates the *Act Respecting the Québec Lottery Corporation* (L.R.Q., c. S-13.1), as amended and modified from time to time.

b) "*Board*" designates the Board of Directors of the Corporation or of one of its subsidiaries.

c) "*Committee*" designates the Board's Governance and Ethics Committee, as prescribed by the *Act Respecting the Governance of State-Owned Enterprises*.

d) "*Confidential information*" designates all information concerning the Corporation, trends in an industry or sector, or any and all information of a strategic nature that is not known to the public and that, if known by a person who is not a Director or a manager, would be liable to give the person an advantage or compromise an operation in which the Corporation participates.

e) "*Conflict of interest*" designates any real, perceived, potential or eventual situation in which Directors or managers may be prompted to favour a person (including themselves and any related persons) to the detriment of another. Any situation that could be prejudicial to loyalty, integrity or judgement is also subject to the present definition.

f) "*Contract*" includes a draft agreement.

g) "*Control*" designates direct or indirect ownership by a person of securities, including partnership shares, that confer more than 50% of voting or shareholder rights and that does not depend on a special event having occurred and allows for the election of a majority of Directors.

h) "*Corporation*" designates Loto-Québec.

i) "*Director*" designates any contractual manager whose conditions of employment are subject to Board approval.

j) "*Enterprise*" designates any form of organization for the production of goods or services, or any other business of a commercial, industrial or financial nature, and any group intended to promote specific securities, interests or opinions or influence public authorities. However, this does not include the Corporation or associations or non-profit groups with no financial relationship to the Corporation or incompatibility with its objectives.

k) "*Managers*" with respect to the Corporation, designates any contract executive whose conditions of employment are subject to approval by the Board.

l) "*Related enterprise*" designates any body corporate or company in which the Corporation directly or indirectly holds securities, including shares, conferring more than 10% voting or shareholder rights.

m) "*Related persons*" designates persons who are related to Directors or managers via:

i. blood

ii. marriage

iii. civil union

iv. common-law marriage

v. adoption

For the purposes of the present Code, the following persons are also deemed to be related:

vi. the child of a person defined in sections II to IV

vii. any member of the immediate family living under the same roof

viii. any person with whom a Director or manager is associated, or the partnership with which either may be associated

ix. a body corporate in which the Director directly or indirectly holds 10% or more of any category of voting shares

x. a body corporate controlled by a Director or manager or a person defined in sections I through IV and VI, or by a group of such persons acting jointly

Any person that a Director or manager may be prompted to give preference to because of his relationship to that person or to a third party, or because of his status, title or any other reason.

n) "*Spouse*" includes husbands and wives, as well as persons living together maritally for more than one year.

o) "*Subsidiary*" designates any company wholly owned by the Corporation.

2. GENERAL PROVISIONS

2.1 The present Code is intended to maintain and strengthen public trust with respect to the integrity and impartiality of the Corporation's administration, encourage transparency within the Corporation, and to instil a sense of responsibility in its Directors and managers.

2.2 The present Code is also intended to establish ethical principles and rules of professional conduct for the Corporation. The ethical principles take into account the Corporation's mission, the values on which its actions are based, and its general principles of management. The rules of professional conduct relate to the duties and obligations of Directors and managers, clarifying and illustrating them in an indicative manner.

2.3 The present Code is applicable to Directors and managers of the Corporation and its subsidiaries, all of who are required to respect its provisions.

2.4 The present Code has been established in accordance with the Act, the Corporation's internal governance regulation, and the Regulation. It reflects and, as applicable, completes the provisions of the aforementioned.

2.5 The Board approves the present Code upon the recommendation of the Committee, which is responsible for its review.

2.6 In the context of the present Code, the prohibition of an act includes the attempt to commit the act and participation in or inducement to commit the act.

2.7 The Corporation shall take all necessary measures to ensure the confidentiality of information provided by Directors and managers in conjunction with the application of the present Code.

3. ETHICAL PRINCIPLES AND GENERAL RULES OF PROFESSIONAL CONDUCT

3.1 Directors or managers are appointed to contribute to the fulfillment of the Corporation's mission in the best interests of Québec. As such, they must employ their knowledge, capabilities, experience and integrity for the efficient, equitable and effective attainment of the objectives assigned to the Corporation by law and for the proper administration of the assets it possesses as a Government agent.

Their contribution must be made in accordance with the law and with honesty, loyalty, prudence, diligence, efficiency, rigour and fairness.

3.2 In discharging their duties, Directors are required to respect the ethical principles and rules of professional conduct prescribed by the Act and the Regulation that constitute an integral part of this Code, as applicable, as well as those stipulated in the present Code. Managers are also required to respect these rules to the extent that they apply to them. In case of discrepancy, the strictest principles and rules are deemed to apply.

In case of any doubt, Directors and managers are to act in accordance with the spirit of these principles and rules. Directors and managers who serve as Directors or managers or are members of another organization or enterprise at the request of the Corporation are bound by the same obligations.

Subject to their obligations of confidentiality, honesty, loyalty and, generally speaking, to obligations of a similar nature in accordance with the Act and Code of Ethics of any organization or entreprise in which Directors or managers exercise functions at the request of the Corporation, such Directors or managers are required to inform the Corporation of any question brought up on the agenda of a meeting of the Board of Directors of such organizations or enterprises that may have a significant impact on the finances, reputation or operations of the Corporation. They are required to inform the Corporation within a reasonable delay and prior to any vote by Directors on such matters.

3.3 Directors and managers are required to collaborate with the Chairman of the Board or the Committee on questions of ethics or professional conduct whenever asked to do so.

3.4 In exercising their functions, Directors and managers are required to keep their knowledge current and employ independent professional judgement in the best interests of the Corporation.

They are required to be familiar with, promote the respect of, and conform to the present Code, applicable laws and regulations, and policies, directives and rules as set forth by the Corporation. They are also required to keep themselves informed as to the economic, social and political climate in which the Corporation acts.

3.5 Directors and managers are required to maintain relations with all persons and with the Corporation based on respect, cooperation and professionalism.

3.6 Directors and managers shall make decisions in a manner so as to ensure and maintain the relationship of trust with clients, suppliers and partners of the Corporation, as well as with the Government.

3.7 In exercising their functions, Directors and managers must respect the Corporation's mission and the following objectives:

- Minimize the social costs associated with games of chance and adopt new measures to combat compulsive gambling
- Increase the Corporation's efficiency and general performance so as to maintain the level of net profits remitted annually to the Government
- Work in collaboration with sector stakeholders to contribute to the development and success of the tourism industry
- Refrain from increasing overall game offerings.

3.8 Directors and managers may not, either directly or indirectly, offer, solicit or accept an undue favour or benefit for themselves or any persons related to a Director or manager or a third party, nor can they accept any gift, hospitality or benefit other than what is customary and of modest value. Any gift, hospitality or benefit that does not correspond to these criteria must be returned to the donor or to the State.

3.9 Door prizes in excess of $100 won by any Directors or managers must be returned to the event organizers if the Corporation has paid event participation costs. Persons accompanying Directors or managers in such cases are subject to the same rule.

3.10 In carrying out their functions, Directors and managers must seek to defend only the Corporation's interests, to the exclusion of their own or those of a third party.

3.11 Directors and managers shall not undertake any obligations to third parties nor afford them any guarantees with respect to any vote that they may be called upon to participate in or any decision whatsoever that the Board may be called upon to render.

3.12 A vote by a Director that is in violation of the provisions of the present Code or that is lodged while the Director is in default with respect to the production of the declaration mentioned in section 4.11 may not be considered a deciding vote.

3.13 Directors or managers who assume responsibilities in other entities may occasionally find themselves in situations of conflict of interest. Whenever the present Code does not provide for the specific situation, they must determine whether their actions meet the behavioural standard the Corporation may reasonably expect in such circumstances. They must also determine if a reasonably informed person would conclude that their interests in the other entity are liable to influence their decisions and affect their objectivity and impartiality when discharging their duties to the Corporation.

3.14 Within a reasonable delay of taking up their position, Directors and managers are required to organize their personal affairs so as not to prejudice the exercise of their functions and avoid incompatibility or conflict of interest between their personal interests and the duties of their position. As applicable, they are required to take all necessary measures in order to comply with the provisions of the present Code.

3.15 Directors and managers may not mix the Corporation's assets with their own. They may not utilize the Corporation's assets or confidential information received in the course of carrying out their functions for personal or third party profit. These obligations remain in effect even after they have ceased to occupy their functions.

3.16 Directors and managers are bound by discretion with respect to all confidential information to which they are party in the exercise of their functions and are required to respect the confidential nature of information received at all times. Furthermore, Board deliberations, positions held by, and votes taken by its members are confidential.

3.17 Directors and managers are required to respect any and all restrictions and apply protective measures with regard to confidential information as follows:

- They must only convey confidential information to authorized persons.
- If they use a system of electronic mail, they must comply with all practices and directives issued or approved by the Corporation regarding the storage, use and transmission of information by this system. They must not forward confidential information received from the Corporation via this system to anyone.
- They are responsible for taking measures to protect the confidentiality of information to which they have access. These measures include:
  - not allowing documents containing confidential information to be casually seen by third parties or unauthorized employees
  - taking appropriate measures to ensure the physical protection of documents
  - avoiding discussions in public that could reveal confidential information
  - identifying documents that may circulate as containing confidential information that must be treated as such
  - discarding any and all confidential documents using appropriate means (shredding, archiving, etc.) whenever they are no longer necessary for the execution of their mandate as Directors or managers.

3.18 While exercising their functions, Directors and managers may not have dealings with any persons that have ceased being a Director or manager of the Corporation for less than one year if such persons are acting on behalf of another party with respect to a procedure, negotiation or any other operation to which the Corporation is party and about which such persons possess information that is not publicly available.

3.19 Once no longer exercising their functions, no Director or manager may disclose any confidential information received, or provide anyone with advice based on confidential information unavailable to the public concerning the Corporation or any other organization or entreprise with which they had direct and important relations during the year preceding the date on which their functions were terminated.

During the course of the 12 months following this date, they are prohibited from acting on or on behalf of others relative to any procedure, negotiation or other operation to which the Corporation is party and about which they possess confidential information not available to the public.

3.20 Directors or managers who intend to become electoral candidates are required to inform the Chairman of the Board of their intention.

If the Chairman of the Board or the Chief Executive Officer has such intentions, they must so inform the Secretary General of the Executive Committee.

3.21 In exercising their functions, Directors and managers must make decisions independently of all partisan considerations.

4. DUTIES AND OBLIGATIONS OF DIRECTORS AND MANAGERS WITH RESPECT TO CONFLICTS OF INTEREST

Prevention of conflicts of interest

4.1 Directors and managers must avoid placing themselves in situations of conflict between their personal interests and their official duties, or in situations that may cast reasonable doubt as to their ability to discharge their duties with uncompromised loyalty.

Directors and managers must avoid situations in which they or related persons could profit directly or indirectly from a contract signed by the Corporation or by influencing decisions taken by them in accordance with their official functions within the Corporation.

Full-time Directors or managers of the Corporation or of any of its subsidiaries are also required to avoid taking positions or being bound by engagements that may prevent them from fully giving their duties the time and attention that would normally be required.

Other Directors are required to ensure that they are able to devote the appropriate time and attention to the exercise of their functions reasonably required in the circumstances.

4.2 Directors and managers with full-time duties within the Corporation may not possess direct or indirect interests in an organization, enterprise or association that create a conflict between their personal interests and the interests of the Corporation. If they do, they may be subject to dismissal. However, such dismissal shall not take place if the interest accrues through an inheritance or gift that is diligently renounced or disposed of. In the interval, sections 4.5, 4.6, 4.8 and 4.11 shall apply.

All other Directors holding interests in an enterprise must comply with sections 4.5, 4.6, 4.8 and 4.11. Failure to do so may make them subject to dismissal.

4.3 In order to be deemed independent, Directors may not:

- be or have been (during the three years preceding the date of their nomination) employed by the Corporation or be related to a person described in section k that has been so employed
- be employed by the Government, a Government agency, or a Government enterprise within the meaning of sections 4 and 5 of the *Auditor General Act* (R.S.Q. c. V-5.01)
- have any relations as determined by the Government under section 5 of the Act.

Upon assuming their position, and annually thereafter, Directors must declare to the Committee the existence or absence of relations described in the preceding first and second paragraphs. They are also required to declare any changes to their declaration as soon as they become aware of such changes.

4.4 Directors and managers of the Corporation who are also Directors or managers of a related entreprise are required to be specifically authorized by the controlling shareholder or shareholders of the enterprise to:

- hold shares, partnership equity or any other security issued by the related entreprise that confers voting rights or interest with respect to the related enterprise, or any and all options for subscription or purchase rights concerning such shares, partnership equity, securities or interests
- benefit from any profit-sharing plan, unless the Directors or managers are engaged full-time within the related entreprise and the profit-sharing plan is directly related to the individual performance of the Directors or managers within the related enterprise
- benefit from a retirement plan offered by the related enterprise if they are not full-time Directors or managers of the related enterprise, or
- benefit from any and all advantages extended in advance in case of a change in control of the related enterprise.

Renunciation and abstention

4.5 Directors or managers who:

a) are party to a contract with the Corporation or a subsidiary, or

b) who possess a direct or indirect interest in an entreprise that is party to a contract with the Corporation or a subsidiary, or are Directors, managers or employees of this enterprise

are required to disclose the nature and scope of their interest in writing to the Chairman of the Board.

The same applies for Directors or managers who have a direct or indirect interest in matters taken up by the Board.

Directors or managers must abstain at all times from communicating any information whatsoever regarding such contract or interest to any and all employees, managers or Directors of the Corporation.

Directors must abstain from deliberation and voting on any question related to such interest and avoid any attempts to influence related decisions. They must also excuse themselves from meetings for the duration of deliberations and voting on such matters. Any such exclusion must appear in the minutes of the Board meeting.

4.6 In the case of a Director, disclosure required under section 4.5 must occur during the first meeting:

a) at which the contract or matter of concern is being discussed

b) subsequent to when Directors with no previous interest in the contract or matter acquire such interest

c) subsequent to when Directors acquire an interest in an already-concluded contract, or

d) subsequent to when any and all persons with an interest in the contract or matter under study become Directors.

4.7 Managers who are not also Directors must offer the required disclosure under section 4.5 immediately after:

- having learned that the contract or matter of interest was or will be discussed during a meeting
- having acquired an interest, if subsequent to the conclusion of the contract or decision involved, or
- having become a manager, if subsequent to the acquisition of such interest.

Managers may not attempt to influence decisions made by Directors in any way.

4.8 Directors and managers must make the disclosure required under section 4.5 as soon as they have any knowledge of a contract that falls within the bounds of this section and that, in the normal course of the Corporation's business, does not require Director approval.

4.9 Sections 4.5 through 4.8 also apply to cases where such interest is held by a person related to a Director or manager.

4.10 Directors and managers shall denounce all rights they may possess against the Corporation or any of its subsidiaries in writing to the Chairman of the Board, indicating their nature and value, as soon as such rights come into existence or as soon as they become aware of them.

4.11 Within 30 days of their nomination, and on March 31 of each year in which they remain in service, Directors and managers must forward a declaration in the form prescribed in Appendix 2 to the Chairman of the Board containing the following information:

a) The names of any and all enterprises in which they directly or indirectly hold securities or equity (including shares), stipulating the nature and quantitative and proportional amounts of securities held, as well as their equity value.

b) The names of any and all enterprises in which they exercise functions or in which they have a direct or indirect interest in the form of a claim, right, priority, hypothec or significant financial or commercial benefit.

c) To the best of their knowledge, the information stipulated in the preceding sections concerning their employer and the body corporate, corporation or enterprise of which they are owner, shareholder, director, manager or controller.

d) The name of any and all associations in which they exercise functions or of which they are members, stipulating their functions, as applicable, as well as the purposes of the association.

Directors or managers to whom the provisions of sections a) through c) do not apply are required to sign a declaration to that effect and remit it to the Chairman of the Board.

Directors or managers are also required to produce a similar declaration within 30 days of any significant change occurring to its contents.

Declarations made subject to this section shall be treated as confidential.

4.12 The Chairman of the Board shall remit declarations received pursuant to the application of sections 4.5 to 4.11 to the Secretary of the Corporation, who shall make them available to the members of the Board and of the Governance and Ethics Committee.

In addition, the Secretary of the Corporation shall notify the Chairman of the Board and the Governance and Ethics Committee of any breach of obligations under sections 4.5 to 4.11 immediately upon becoming aware of such a breach.

4.13 Directors and managers may notify the Corporation in advance of Board of Directors discussions pertaining to specific corporations or other entities from which they wish to be excluded.

4.14 In all cases where a matter may engender a conflict of interest related to the function of a Director or manager, or in the case of a corporation or entity declared by Directors or managers under section 4.13, the Secretary shall apply the deliberative procedures concerning conflicts of interest as prescribed in Appendix 3 of this Code.

4.15 Directors who are members of the Board's Auditing Committee may not hold any interest in the Corporation or in any of its subsidiaries. Moreover, they may not accept fees from the Corporation for consulting or any other similar services.

Dispensations

4.16 The present Code is not applicable to:

a) interests held through the intermediary of mutual investment funds in whose management the Directors or managers do not participate either directly or indirectly

b) interests held through the intermediary of a blind trust with no beneficiary right of review or right to know the composition of

c) holding the minimum number of shares required to be eligible to become a Director of a body corporate

d) an interest which, due to its nature and scope, is common to the population at large or to a particular sector in which Directors who do not exercise full-time functions within the Corporation or its subsidiaries work

e) a liability insurance contract for Directors, or

f) shares issued or guaranteed by a government or municipality on terms that are identical for all.

5. APPLICATION OF THE CODE

5.1 The present Code is an integral part of the professional duties of Directors and managers. They undertake to become familiar and comply with it, as well as with any directive or particular instruction that may be supplied as to its application. In addition, they must confirm their adherence to the Code each year.

In case of any doubt as to the scope or application of a provision, Directors and managers are required to consult the Committee.

5.2 Within 30 days of the adoption of the present Code by the Board, all Directors and managers must submit the attestation described in Appendix 4 to the Chairman of the Board and the Secretary of the Corporation.

New Directors and managers must do the same within 30 days of their nomination.

5.3 The Associate Secretary General responsible for senior positions at the Ministère du Conseil exécutif is the competent authority for the application of the present Code with respect to the Chairman of the Board and other Directors appointed by the Government.

5.4 The Chairman of the Board is the competent authority with respect to all Directors and managers of subsidiaries in which the Corporation holds 100% of the shares.

5.5 The Committee may, as it sees fit, provide dispensation to a Director or manager from one or more of the provisions of the present Code if it is of the opinion that such dispensation does not prejudice the objectives of the present Code as described in section 2.1 and that the provisions of the Act and the Regulation have been met.

The Committee designates the Secretary to assist it in this function.

5.6 The Committee may advise Directors and managers as to the interpretation of the provisions of the present Code and their application to particular or even hypothetical cases. It is not required to limit an opinion to the terms of the request.

5.7 The Committee must:

- review the present Code on an annual basis and submit any changes for approval to the Board
- engage and oversee the process of preparing and assessing the Code of Ethics and Professional Conduct
- ensure that Directors and managers are provided with training about the contents and application procedures of the present Code
- give its opinion and offer its support to the Board (Corporation) and to any and all Directors or managers confronted with a problem
- handle any requests for information related to the present Code
- investigate any irregularity with respect to the present Code on its own initiative or upon receipt of an allegation.

5.8 The Committee may consult with and receive opinions from outside advisers or experts on any matter it deems relevant.

5.9 The Committee and the competent authority concerned shall preserve the anonymity of complainants, petitioners and informers except when there exists manifest intention to the contrary. They cannot be bound to reveal information likely to identify such persons except if required by the Act or by a court of law.

5.10 The Secretary shall assist the Committee and the Chairman of the Board in matters concerning the application of the present Code.

The Secretary shall maintain archives containing declarations, disclosures and attestations required to be submitted under the provisions of the present Code, as well as reports, decisions and advisory opinions with respect to ethics and professional conduct. Moreover, the Secretary is required to take all necessary measures to ensure the confidentiality of information supplied by Directors and managers pursuant to the application of the present Code.

5.11 Directors or managers who are aware of or suspect the existence of a violation of the present Code, including the use of or irregular communication of confidential information or an undisclosed conflict of interest, are required to report this to the Committee.

Such disclosure is to be made confidentially and must include the following information:

- The identity of the perpetrator or perpetrators of the violation
- A description of the violation
- The date or period of time over which the violation took place
- A copy of any documents that support the claim.

5.12 Directors and managers of the Corporation may, on their own initiative, submit a complaint against any Director or manager to the competent authority.

5.13 In order for an appropriate decision to be taken in an emergency situation requiring rapid intervention, or in case of presumed gross negligence, the competent authority may provisionally remove Directors or managers accused of breaches of ethics or professional conduct from their functions with remuneration.

5.14 Whenever a Director or manager is accused of a breach of ethics or professional conduct, the Committee is responsible for gathering all pertinent information. The Committee shall report its conclusions to the appropriate competent authority and recommend any appropriate action that may be required.

5.15 Directors and managers are not deemed to have violated the provisions of the present Code if prior favourable opinion has been obtained from the Committee under the following conditions:

a) Notification is received prior to the occurrence of events on which it is based

b) The Board has been notified

c) All pertinent facts have been fully revealed to the Committee in an exact and complete manner, and

d) Directors or managers have complied with all the requirements of the notification

6. DISCIPLINARY PROCESS

6.1 If it concludes that a violation of the Act, the Regulation or the present Code has occurred, the competent authority may impose one of the following penalties:

a) In the case of a manager, any appropriate penalty up to and including dismissal

b) In the case of a Director, reprimand, suspension without remuneration for a maximum of three months, or dismissal

Notwithstanding the preceding, when the competent authority is the Associate Secretary General as defined in section 5.3, the penalty shall be imposed by the Secretary General of the Executive Committee. In addition, if the proposed penalty is the dismissal of a Public Administrator named or designated by the Government, it may only be imposed by the latter. In that case, the Secretary General of the Executive Committee may immediately suspend the Public Administrator for a period not exceeding 30 days without remuneration.

6.2 The competent authority shall inform Directors or managers of any breach of conduct with which they have been charged, as well as of the penalty that may be imposed.

Within seven days of being informed about a breach of conduct accusation, Directors or managers may submit comments to the Committee. They may also request a Committee hearing on the matter.

6.3 In case of a violation as described in section 4.2, the dismissal of the offender shall be placed on the record by competent authorities.

6.4 Directors and managers are required to account for and reimburse the Corporation for any and all profits made or benefits received due to or on the occasion of any violation of the provisions of the present Code.

6.5 Any vote by Directors provided in violation of the provisions of the present Code or related to any such violation, or while the Directors are in default with respect to the production of the declaration mentioned in section 4.11, shall not be a deciding vote.

7. EFFECTIVE DATE

7.1 The present Code came into effect on November 29, 2007.

LANGUAGE POLICY

Making Quality a Top Priority

In accordance with the Government's policy on the use of French in public administration, on November 24, 2000, the Corporation adopted a language policy that reflects its business mission and covers the use and quality of French within each of its activity sectors. During the past fiscal year, Loto-Québec continued to collaborate actively with the Office québécois de la langue française to ensure the consistent application of this policy throughout the organization and its subsidiaries.

BOARD OF DIRECTORS

AND CORPORATE SECRETARIAT

SOLANGE DUGAS
Montreal
Chairwoman of Loto-Québec's Board of Directors
President, GB Micro

- Board Appointment Date: September 10, 2003
- Chairwoman of the Human Resources Committee and member of the Governance and Ethics Committee

Holding a Bachelor of Administration degree from McGill University, Solange Dugas is owner and President of GB Micro, a company created in 1983 and specialized in the distribution of computer products. Dedicated to contributing to the community, Ms. Dugas is actively involved in several organizations, including LEUCAN, the Canadian Cancer Society and the Vanguard Development Fund. She has also been a member of the Young Presidents' Organization since 1998.

ALAIN COUSINEAU
Montréal
President and Chief Executive Officer, Loto-Québec

- Board Appointment Date: September 29, 2003

After obtaining his Master of Business Sciences degree from Université Laval and completing doctoral studies at the University of Illinois, Alain Cousineau occupied several senior management positions within the university and business sectors, including serving as Dean of the University of Sherbrooke's Faculty of Administration, President and Chief Executive Officer of SECOR, and Chairman of the Board and of the Executive Committee at the Société des alcools du Québec. A Director of numerous Canadian corporations, Mr. Cousineau also held the post of President of Tourisme Montréal for a number of years.

NANCY ARBOUR

Îles-de-la-Madeleine
Chief Executive Officer, Les Marchés Tradition

- Board Appointment Date: October 29, 2003
- Member of the Human Resources Committee

Nancy Arbour has served as Chief Executive Officer of Immeubles Plaisance and Coop La Sociale, two enterprises based in Îles-de-la-Madeleine. A businesswoman committed to community service, she sits on the Boards of a number of different organizations, including the local Chamber of Commerce and Site de la Côte. Having studied Communications at Université Laval, Ms. Arbour was also Political Attaché for various ministerial departments over the course of 13 years.

JULIE BERNIER

Westmount
Senior Partner, eRing Solutions Inc.

- Board Appointment Date: June 27, 2007
- Member of the Auditing Committee

Having earned a Bachelor's degree in Fine Arts from Concordia University, a Bachelor's degree in Architecture from the Université de Montréal, and an MBA from HEC Montréal, Julie Bernier is currently a senior partner at eRing Solutions Inc., a management consulting firm. A highly skilled project manager, she has executed many key IT and risk management contracts (technological, operational and regulatory) for large financial and telecommunications companies.

PAULE BOUCHARD, FCA

Hampstead
Partner, RSM Richter Inc.

- Board Appointment Date: September 12, 2007
- Chairwoman of the Auditing Committee

Paule Bouchard is a Certified Public Account (CPA) with a Bachelor's degree in Accounting from Université du Québec à Montréal. Her professional affiliations include being a fellow of the Ordre des comptables agréés du Québec (OCAQ) and a member of the Canadian Institute for Chartered Accountants. Currently, Ms. Bouchard is a partner in the public accounting firm RSM Richter, where she is responsible for professional standards and risk management consulting. Over the course of her 20-year career, she has carried out numerous mandates for businesses in the manufacturing, real estate and health sectors. Ms. Bouchard is also a member of both the International Accounting Education Standards Board and the OCAQ's Professional Inspection Committee.

MARC G. BRUNEAU

Montréal
Vice-President and Partner, GBC Asset Management

- Board Appointment Date: September 10, 2003
- Member of the Auditing and Human Resources Committees

A graduate of HEC Montréal with a Bachelor's degree in Business Administration, Marc G. Bruneau also studied Administration at Pepperdine University in California. Mr. Bruneau occupied positions at BMO Nesbitt Burns and the Business Development Bank of Canada before joining GBC in 2002, where he has been a partner since 2004. A recipient of the Hommage bénévolat-Québec award in recognition of his outstanding volunteerism, he serves (or has served) on the Boards of the Sainte-Justine Hospital Foundation, the Kids for Kids organization, and the Cirque Éloize and McCord Museum Foundations. Since March 2007, Mr. Bruneau has been Chairman of the Board of the Montreal Millennium Summit.

MEL HOPPENHEIM

Montréal
Location Michel Trudel inc.
Mel's Cité du cinéma ltée

- Board Appointment Date: March 31, 2004
- Member of the Auditing Committee

The owner of a vast film and television production installation and equipment operation, Mel Hoppenheim is a leading figure within his industry, both in Montréal and the rest of Canada. Mr. Hoppenheim founded Concordia University's Mel Hoppenheim School of Cinema, which enrols 500 students each year. He is also one of the co-founders of the Institut national de l'image et du son. Mr. Hoppenheim is involved in the financing of numerous charitable and community organizations, and he sits on the Boards of the Montréal Children's Hospital and the Montréal Heart Institute Foundation.

CHRISTIANE JODOIN

Montréal
Partner, Osler, Hoskin & Harcourt LLP

- Board Appointment Date: June 27, 2007
- Member of the Governance and Ethics Committee

A Université de Montréal Law graduate and member of the Québec Bar since 1984, Christiane Jodoin is currently a partner at the law firm Osler Hoskin & Harcourt, where she has been practicing commercial law since 2002. Prior to this, she was an associate attorney at McCarthy Tétrault. With extensive experience in corporate finance, mergers and acquisitions, she has handled numerous purchase and sale of business transactions, as well as the restructuring of a number of public and private companies. Ms. Jodoin sits on the Board of Directors of the MIRA Foundation, was actively involved in the 2007 Centraide campaign, and has served as a Board member of the Douglas Hospital Foundation.

SERGE LEBEL

Québec City
Attorney, BCF LLP

- Board Appointment Date: October 29, 2003
- Chairman of the Governance and Ethics Committee

A Université Laval Law graduate and member of the Québec Bar since 1983, Serge LeBel specializes in business law and practices primarily in eastern Québec. A member of several Boards, including that of the Port of Québec City, Me LeBel is also actively involved in community affairs. For example, he serves on the Foundation of Au seuil de l'harmonie, a support centre for individuals struggling with dependencies. In addition, Me LeBel is a member of the Interprovincial Lottery Corporation's Board of Directors.

LYNNE ROITER

Montréal
Corporate Secretary and Vice-President of Legal Affairs, Loto-Québec

A graduate of Université Laval's Law Faculty and member of the Québec Bar since 1972, Lynne Roiter joined Loto-Québec in 1985 as Director of Legal Affairs. Prior to that, Ms. Roiter practiced her profession at the Commission des droits de la personne and the Régie de l'assurance automobile du Québec. Now serving as Loto-Québec's Corporate Secretary and Vice-President of Legal Affairs, she is also Corporate Secretary of the World Lottery Association, an organization comprised of lottery corporations from some 76 different countries around the world.

BOARD AND COMMITTEE REPORTS

BOARD OF DIRECTORS REPORT

MEMBERSHIP

In accordance with the Act Respecting the Governance of State-Owned Enterprises, fiscal 2007-2008 was marked by the division of the Chairman of the Board and President and Chief Executive Officer functions. In the process, Ms. Solange Dugas was named Chairwoman of the Board of Directors in June 2007.

During the year just ended, Mr. Robert Crevier left his post as a Director of the Corporation. The Board expressed its appreciation of Mr. Crevier's dedication and continuous support over the course of the 16 years he sat as an active member. The Board also welcomed three new members during the past year — Ms. Julie Bernier, Ms. Paule Bouchard and Ms. Christiane Jodoin.

Loto-Québec's Board of Directors is now composed of nine members, all of who are appointed by the Government and are independent members (with the exception of the President and CEO). More than half of the Board is made up of women.

PRESENCE OF DIRECTORS AT BOARD AND COMMITTEE MEETINGS

Regular meetings of the Board of Directors are scheduled at the beginning of the fiscal year, while special meetings are organized as needed. Advance notice for advisory committee meetings varies according to the specific committee in question.

There were nine regular Board meetings and 11 special meetings held during the year just ended. No Director missed more than two consecutive Board meetings. The first table on page 85 illustrates member attendance at Board and Committee meetings.

REMUNERATION OF INDEPENDENT DIRECTORS

In adopting Order-in-Council 610-2006 on June 28, 2006, the Government established the following remuneration to which independent Directors are entitled (with the exception of the President and Chief Executive Officer):

- Annual remuneration of the Chairperson: $16,000
- Annual remuneration for all independent Directors in accordance with the Order-in-Council: $8,000
- Annual remuneration for Committee Chairpersons: $3,000
- Board Chairperson's fees for each Board or Committee meeting: $750
- Director's fees for each Board or Committee meeting: $500
- Director's fees for each brief special Board or Committee meeting held by conference call: $250
- Board member remuneration was increased by 2% on April 1, 2007. Only members with independent status are eligible to be remunerated.
- Whenever applicable, Directors are also entitled to be reimbursed for their travel and related expenses. During fiscal 2007-2008, Directors received total remuneration of $167,300, broken down as illustrated in the second table on page 85.

MANDATE AND ACTIVITIES

The Board of Directors is charged with ensuring that Loto-Québec is managed in accordance with the stipulations of its Act of Incorporation and with the regulations pertaining to it, as well as with the provisions of other laws and regulations governing the Corporation. The Board is also responsible for ensuring that Loto-Québec takes all the measures required to achieve the objectives established in conjunction with its mission. Finally, the Board's mandate includes the adoption of rules and the approval of the Corporation's principal policy directions and annual business plan.

STRATEGIC AND BUSINESS PLANNING

At each Board meeting, management reported on the evolution of the Corporation's business affairs based on the 2007-2008 Business Plan and ongoing developments. The Board of Directors conducted a follow-up on the plan to reconfigure the video lottery terminal network in bars, brasseries and taverns, as well as the establishment of the gaming halls in Québec City and Trois-Rivières. Thanks to the reports received from management, the Board was able to evaluate the progress made with respect to the implementation of these initiatives.

Subsequent to presentations made by management, the Board also approved the establishment of the tourist casino at Mont-Tremblant in place of the gaming hall originally planned. The Board also decided that it was not opportune to maintain a distinct subsidiary to operate two gaming halls and, consequently, decided to dissolve the Société des salons de jeux du Québec, entrusting the Société des loteries vidéo, instead, with the mandate to operate these establishments. Finally, in conjunction with the Strategic Plan it adopted last year for 2007-2010, the Board approved the 2008-2009 Action Plan for each of Loto-Québec's business and corporate units.

FINANCIAL RESULTS AND INTERNAL CONTROL

After each meeting of the Auditing Committee, the Board received a verbal report on all of this group's activities. Upon the recommendation of that Committee, the Board approved the Corporation's annual financial statements.

The Board also approved the Corporation's budget and received a report on the organization's financial statements at all of its regular meetings, as well as the related financial highlights. In addition, the Board was made aware of the work carried out by the Auditing Committee concerning the implementation of internal control certifications and risk management.

In view of the modification to Loto-Québec's Act of Incorporation in conjunction with the adoption of the Act Respecting the Governance of State-Owned Enterprises, the Auditor General is no longer obliged to issue an individual opinion on the financial statements of the Corporation's subsidiaries. Subsequent to discussions held with the Auditor General, the Board decided that, with two exceptions, subsidiaries' books would no longer be subject to an opinion distinct from their financial statements. However, due to the terms of the Manoir Richelieu limited partnership agreement, the Casino de Charlevoix's books continue to be subject to a distinct audit, as do those of the Société des bingos du Québec inc., which remits all of its profits to non-profit organizations.

CORPORATE GOVERNANCE

After each meeting of the Governance and Ethics Committee, the Board received a verbal report on all of that group's activities. As submitted by the Committee, the Board adopted a new Code of Ethics applicable to Directors and senior managers, replacing the Code previously adopted in 1999. It also adopted a Code of Ethics applicable to employees of the Corporation and its subsidiaries that, for its part, replaces the Code of Behaviour adopted in 1998. Moreover, the criteria for evaluating the functioning of the Board of Directors and its committees, as well as the approach for evaluating Directors and the Board Chair were also adopted upon the recommendation of the Governance and Ethics Committee.

Board members took part in two training sessions on governance offered by the École nationale d'administration publique. The first course focused on the government environment and general functioning of the Québec state and its institutions. The second dealt with good governance and its application within the organization through the efforts of corporate Directors. Finally, the members of the Board were provided with various presentations on different aspects of Loto-Québec's activities over the course of the past year.

RISK MANAGEMENT

During the past year, the Board of Directors requested that a mandate be entrusted to a firm of experts specialized in the gaming sector in order to examine Loto-Québec's prize payment processes and procedures so as to ensure that risk is being properly managed. If applicable, this firm was also to propose specific recommendations for improvement. In addition, the Board also asked that the Auditor General responsible for auditing the Corporation since its creation be advised of the results of this review.

This mandate was entrusted to the consulting firm of KPMG, which submitted its report on October 11, 2007. Identifying 35 specific means of improvement, the report was accepted in its entirety by the Board of Directors, and as prescribed, the Board called for the report to be transmitted to the Auditor General for review. A progress report on the implementation of the improvement measures is presented to the Board at each of its regular meetings.

HUMAN RESOURCES MANAGEMENT

After every Human Resources Committee meeting, the Board received a report on that group's activities. For fiscal 2006-2007, the Board approved the variable remuneration of the President and CEO, senior managers and employees who are part of the profit-sharing program based on established parameters.

Upon the recommendation of the Human Resources Committee, the Board also approved the revised salary policy for Loto-Québec's executive officers in accordance with adjusted market standards. As well, it approved remuneration norms and scales for other managers, as well as for the Corporation's non-unionized employees.

Finally, the Board presented the Québec Government its recommendations concerning the appropriate practices to determine the remuneration and other employment conditions of the President and Chief Executive Officer. Similarly, it presented recommendations for the parameters of a new profit-sharing plan for employees of Loto-Québec and its subsidiaries.

DIRECTOR ATTENDANCE REPORT AS AT MARCH 31, 2008

Members	Board of Directors		Auditing Committee	Governance and Ethics Committee	Human Resources Committee
	Regular	Special*	Regular	Regular	Regular
Directors	9	11	6	5	6
Solange Dugas	9	11	2	5	6
Alain Cousineau	9	9	N/A	2/2	3/3
Nancy Arbour	9	11	N/A	N/A	6
Julie Bernier	7/7	7/7	3/3	N/A	N/A
Paule Bouchard	5/6	5/7	2/3	N/A	N/A
Marc Bruneau	9	11	6	N/A	6
Robert Crevier	3/3	1/5	3/3	N/A	N/A
Mel Hoppenheim	8	10	6	N/A	N/A
Christiane Jodoin	7/7	6/7	N/A	3/3	N/A
Serge LeBel	9	10	N/A	5	3/3

* Including the two training sessions on governance conducted by the ENAP.

REMUNERATION OF DIRECTORS*

Directors	Fixed Remuneration	Annual Remuneration	Remuneration as Committee Chairperson	Total Remuneration
Solange Dugas	$ 20,580	$ 14,240	$ 3,045	$ 37,865
Nancy Arbour	$ 10,900	$ 8,120		$ 19,020
Julie Bernier	$ 7,140	$ 6,120		$ 13,260
Paule Bouchard	$ 5,610	$ 4,760	$ 1,785	$ 12,155
Marc Bruneau	$ 13,950	$ 8,120		$ 22,070
Robert Crevier	$ 3,020	$ 4,040	$ 1,515	$ 8,575
Mel Hoppenheim	$ 9,900	$ 8,120		$ 18,020
Christiane Jodoin	$ 6,630	$ 6,120		$ 12,750
Serge LeBel	$ 12,420	$ 8,120	$ 3,045	$ 23,585

* Remuneration paid to Directors as per the Order-in-Council 610-2006 adopted on June 28, 2006 concerning the remuneration of the Boards of six public corporations.

AUDITING COMMITTEE REPORT

MEMBERSHIP

The Auditing Committee is made up of four independent members:

Chairwoman: Paule Bouchard, CA
Members: Marc G. Bruneau,
Julie Bernier and Mel Hoppenheim

All members possess the knowledge and experience required to carry out the Committee's mandate. The Committee Chairwoman is a member of the Order of Chartered Accountants.

The Committee met six times during 2007.

MANDATE AND ACTIVITIES

The mandate governing the activities of the Auditing Committee was adopted in February 2004 and is undergoing a review.

In accordance with the terms of its mandate, the Auditing Committee assists the Board of Directors by monitoring the evolution of the Corporation's profitability, as well as its internal controls and reporting. The Committee also verifies that Loto-Québec is respecting its financial commitments and the legal and regulatory requirements governing the disclosure of financial matters. The Committee serves as a link between the province's Auditor General, the Corporation's Internal Auditor, and the Board of Directors.

In August 2006, the Board of Directors decided to include security as part of the Auditing Committee's mandate.

During fiscal 2007-2008, the Auditing Committee's activities included the following:

- Approved the Corporation's financial statements
- Conducted discussions with the Auditor General regarding the auditing plan for Loto-Québec's financial statements, including two meetings without management presence
- Reviewed the financial statements with the Auditor General and recommended their approval to the Board
- Discussed the application of internal control mechanisms and risk management processes with the Corporate Director of Internal Auditing and followed up on the implementation of internal control certification
- Adopted and conducted a follow-up on the 2007-2008 Annual Internal Auditing Plan
- Ensured that the Internal Auditing team could act independently of Loto-Québec management

No activity that could potentially have a negative impact on Loto-Québec's financial situation was brought to the Committee's attention by the Internal Auditor or any manager during fiscal 2007-2008.

After every meeting, the Committee reported on its activities to the Board of Directors.

The Auditing Committee did not call upon any outside expert services during the past fiscal year.

HUMAN RESOURCES COMMITTEE REPORT

MEMBERSHIP

The Human Resources Committee was created in December 2006 in conjunction with the Governance Act. The Committee is made up of three independent members:

Chairwoman: Solange Dugas
Members: Nancy Arbour and Marc G. Bruneau

The Human Resources Committee examines and offers recommendations to the Board of Directors regarding policies and strategic directions in the area of human resources management.

The Committee met six times during 2007.

MANDATE AND ACTIVITIES

During the course of fiscal 2007-2008, the Human Resources Committee made the following recommendations for Board approval:

- Conduct a salary review for all non-unionized employees of Loto-Québec and its subsidiaries
- Determine the level of 2006 bonuses for the employees of Loto-Québec and its subsidiaries
- Determine the 2006 bonus for the President and CEO, as well as the 2007 salary increases and 2006 bonuses for senior managers
- Revise the salary policy for executive officers of Loto-Québec, as well as the remuneration norms and scales for the Corporation's other managers and employees
- Establish parameters for a new profit-sharing plan for all corporate employees

Salary Policy for Executive Officers

Loto-Québec is an organization whose performance depends essentially on the talent of its employees. However, the Corporation has encountered certain problems in retaining and recruiting strategic personnel due to a salary policy that has become inadequate.

In conducting a salary policy review for Loto-Québec's executive officers, the Human Resources Committee adopted the following guiding principles:

- The policy should be based on conclusive, reasonable and adjusted market data to take into account Loto-Québec's particular quasi-monopoly within its activity sector in the province and should not unduly hinder the Corporation's recruiting capacity.
- To ensure adequate management of business risks and its ability to exercise its mandate effectively, the Corporation must be in a position to attract and retain management personnel with a high level of competence and expertise.

In order to be able to draw and hold on to highly capable individuals that the Corporation needs to achieve its objectives, its remuneration policy must be aligned with that of its reference market. The reference market that served as the basis included a sample of 23 companies that met certain criteria, such as public corporations of a commercial nature, customer-focused or marketing-oriented organizations, ones with a technological profile, or those of a scale comparable to Loto-Québec. The long-term profit-sharing market was excluded from the analysis.

The revised salary policy for executive officers is aligned with the adjusted reference market. The scale could vary between 80% and 120% of the median.

The Committee called upon the services of an outside consultant to assist with revising the salary policy for the Corporation's executive officers. After each meeting, the Committee presented a report on its activities to the Board of Directors.

REMUNERATION AND BENEFITS OF THE SIX HIGHEST-PAID EXECUTIVES OF THE CORPORATION

Name and Title	Base Salary	Variable Remuneration	Automobile		Additional Benefits*	Group Insurance Plan
			Description	Expenses		
Alain Cousineau President and Chief Executive Officer	$ 263,458	$ 39,519	Company Car	$ 8,856	$ 6,018	$ 2,951
PENSION PLAN AND SUPPLEMENTARY BENEFITS PROGRAM Mr. Cousineau participates in the Retirement Plan for Senior Officials – Public Service (RPSO) and in the Supplementary Benefits Program.						
Jean Royer Senior Vice-President and Chief of Operations	$ 220,800	$ 44,160		$ 6,958	$ 2,500	$ 4,467
Robert Ayotte President of Lottery Operations	$ 211,600	$ 42,320	Provision of a vehicle and parking	$ 6,170	$ 2,500	$ 4,396
Marcel Croux Senior Vice-President of Corporate Affairs	$ 211,600	$ 42,019		$ 10,351	$ 2,500	$ 4,396
Gille Dufour Senior Vice-President of Financial Affairs	$ 211,600	$ 42,019		$ 8,812	$ 2,500	$ 4,165
Claude Poisson President of SCQ Operations	$ 211,600	$ 42,320		$ 11,024	$ 2,500	$ 4,396

PENSION PLAN AND SUPPLEMENTARY BENEFITS PROGRAM

Basic Pension Plan

- Mr. Royer participates in the Retirement Plan for Senior Officials – Public Service (RPSO).
- Messrs. Ayotte, Poisson, Croux and Dufour participate in the Québec Government Pension Plan for Management Personnel (PPMP). The contribution and benefits are calculated in accordance with the standard provisions of the plan in which they participate.

Supplementary Pension Plan

- Messrs. Royer, Ayotte, Poisson, Croux and Dufour participate in Loto-Québec's Supplementary Pension Plan for Executive Management.
- The retirement benefit is calculated using the basic pension plan benefit formula without regard for the limits prescribed in the Income Tax Act, and by using a percentage credited for each year of service of 2.0% for Messrs. Ayotte and Poisson, and 2.5% for Messrs. Croux, Dufour and Royer. This benefit is deducted from that offered by the basic plan.

* Health assessment, financial and estate planning, sports club membership and Businessmen's Circle.

GOVERNANCE AND ETHICS COMMITTEE REPORT

MEMBERSHIP

The Governance and Ethics Committee was created in conjunction with the adoption of the Governance Act in December 2006. The Committee is made up of three independent members:

Chairman: Serge LeBel
Members: Solange Dugas and Christiane Jodoin

The Governance and Ethics Committee assists the Board of Directors in the development and implementation of principles and practices that promote a healthy culture of governance.

The Committee met five times during 2007.

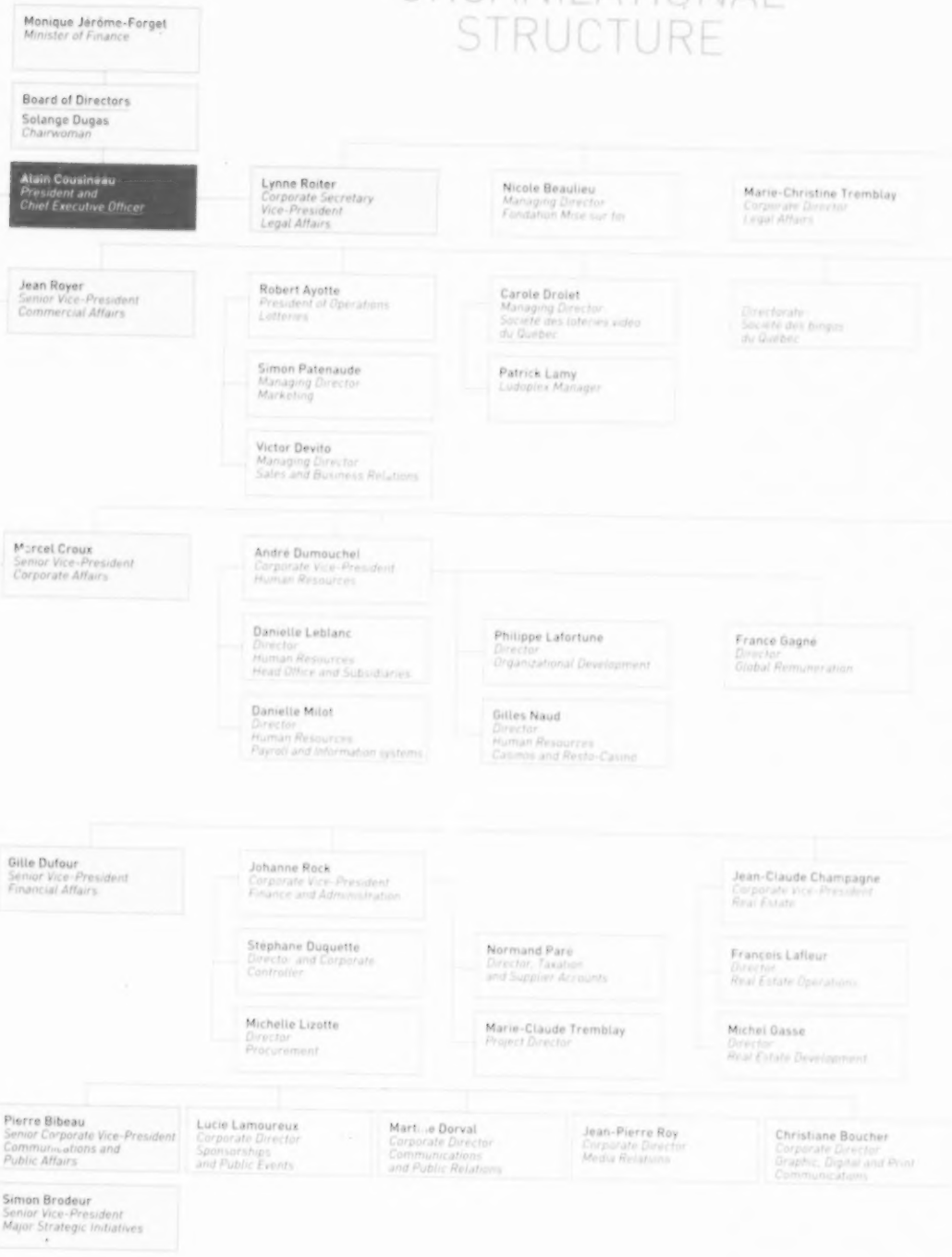
MANDATE AND ACTIVITIES

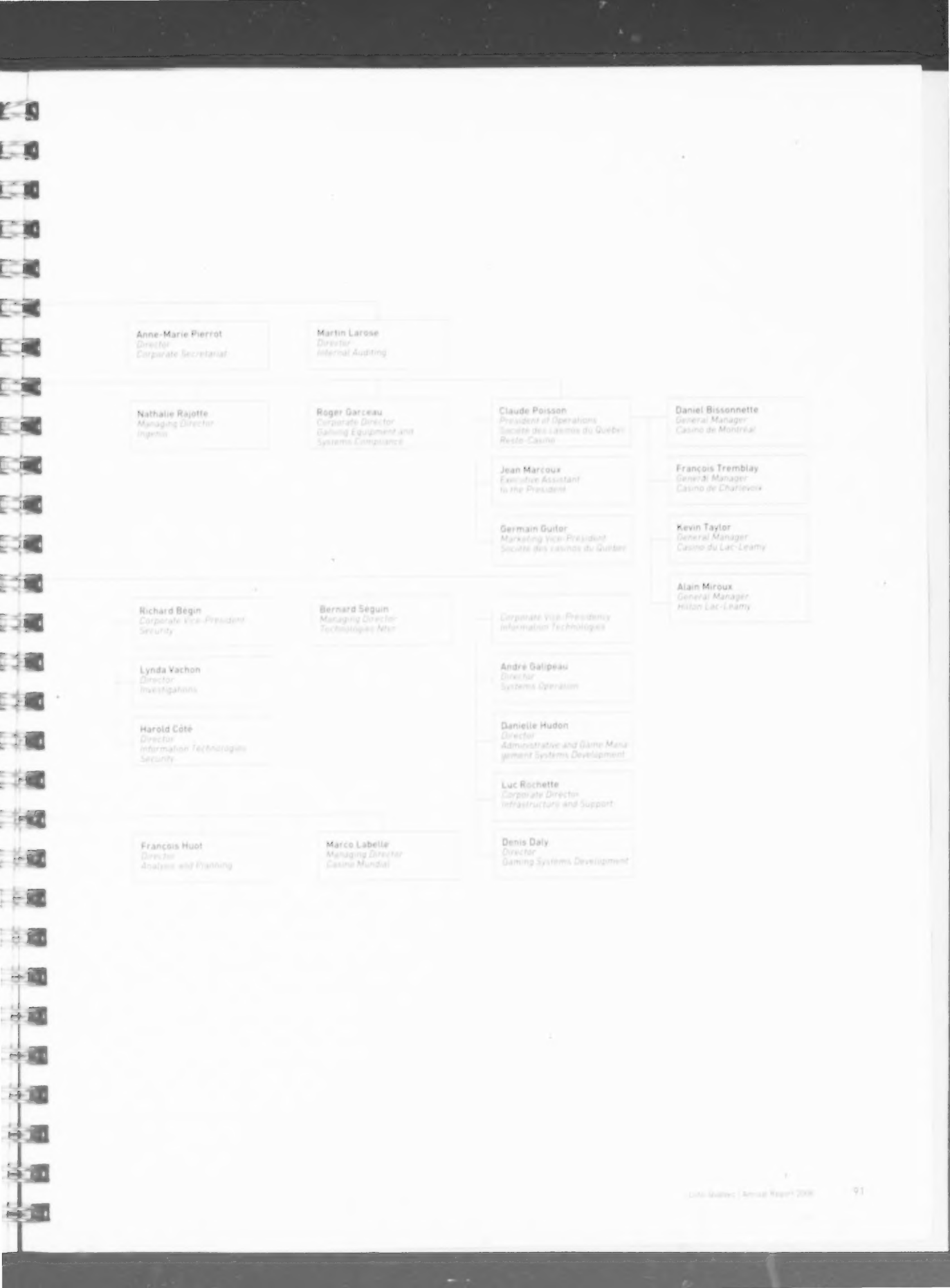
During the course of fiscal 2007-2008, the Governance and Ethics Committee's activities included the following:

- Developed the mandates of the Chairwoman of the Board and of the Governance and Ethics Committee
- Revised the Code of Ethics applicable to members of the Board and managers, replacing the Code adopted in September 1999
- Revised the Code of Ethics applicable to employees of Loto-Québec and its subsidiaries, replacing the Code of Behaviour adopted in December 1998
- Established evaluation criteria for the functioning of the Board of Directors, its committees, members, and its Chairwoman
- Developed an orientation program for new Board members
- Rendered a decision on the continuous training to be offered to Board members
- Proposed that the Board should hold discussions at each of its meetings in the absence of management personnel

The Governance and Ethics Committee submitted a report on its activities to the Board of Directors. The Committee did not call upon the services of any outside consultants during the past fiscal year.

ORGANIZATIONAL STRUCTURE




Anne-Marie Pierrot
Director
Corporate Secretariat
Martin Larose
Director
Internal Auditing
Nathalie Rajotte
Managing Director
Ingenio
Roger Garceau
Corporate Director
Gaming Equipment and
Systems Compliance
Claude Poisson
President of Operations
Société des Casinos du Québec
Reste-Casino
Daniel Bissonnette
General Manager
Casino de Montréal
Jean Marcoux
Executive Assistant
to the President
François Tremblay
General Manager
Casino de Charlevoix
Germain Guitor
Marketing Vice-President
Société des casinos du Québec
Kevin Taylor
General Manager
Casino du Lac-Leamy
Alain Miroux
General Manager
Hilton Lac-Leamy
Richard Bégin
Corporate Vice-President
Security
Bernard Séguin
Managing Director
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Lynda Vachon
Director
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André Galipeau
Director
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Harold Côté
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Danielle Hudon
Director
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Luc Rochette
Corporate Director
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You may also consult the Annual Report on Loto-Québec's Web site at lotoquebec.com.

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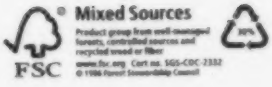

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